TUNGTEX

(Holdings) Company Limited

同得仕（集團）有限公司

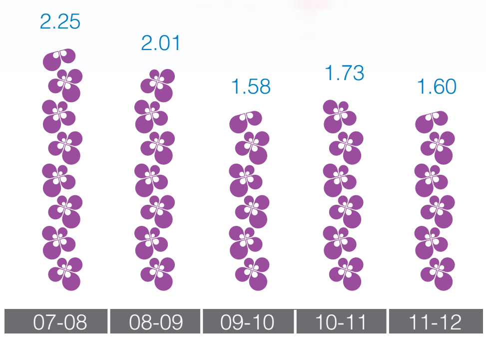
Stock Code 股份代號：00518

2012 Annual Report 年報

FINANCIAL HIGHLIGHTS
財務資料概要

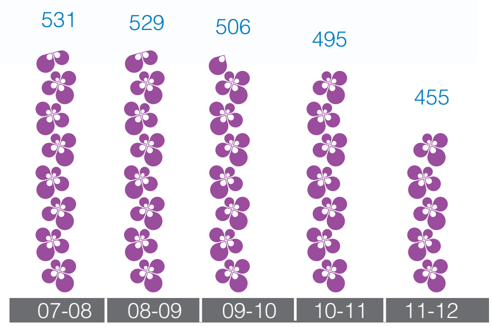
Turnover
營業額

in HK$ billion
港幣拾億元



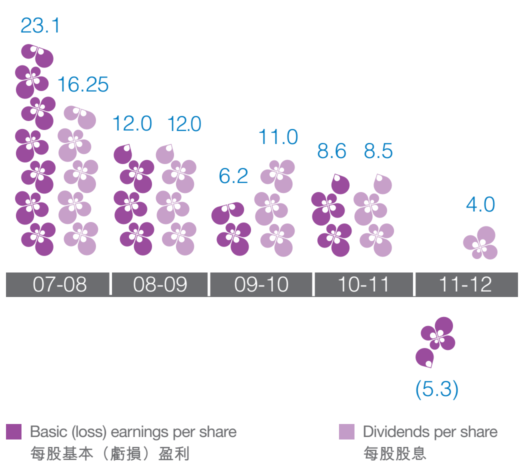
Equity attributable to owners of the Company
本公司擁有人應佔權益

in HK$ million
港幣佰萬元



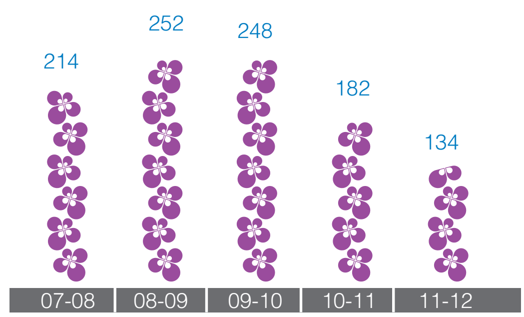
Basic (loss) earnings per share and Dividends per share
每股基本（虧損）盈利及股息

in HK cents
港幣仙



Net cash
現金淨額

in HK$ million
港幣佰萬元

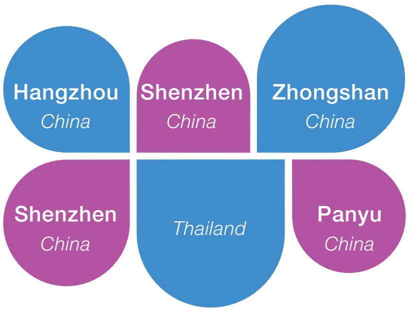


CONTENTS

HEAD OFFICE - HONG KONG

OUR VISION

To be a leader in providing fashion solution to global apparel buyers, leading in terms of reliability, superb product quality, customized solutions, and maximizing value and satisfaction.



CORPORATE INFORMATION

DIRECTORS

Executive Directors

Benson Tung Wah Wing *(Chairman)*
Alan Lam Yiu On *(Managing Director)*
Raymond Tung Wai Man
Martin Tung Hau Man
Billy Tung Chung Man

Non-Executive Directors

Tung Siu Wing
Kevin Lee Kwok Bun

Independent Non-Executive Directors

Johnny Chang Tak Cheung
Tony Chang Chung Kay
Joseph Wong King Lam
Robert Yau Ming Kim

AUDIT COMMITTEE

Joseph Wong King Lam *(Chairman)*
Tony Chang Chung Kay
Robert Yau Ming Kim

REMUNERATION COMMITTEE

Robert Yau Ming Kim *(Chairman)*
Benson Tung Wah Wing
Tony Chang Chung Kay
Joseph Wong King Lam

NOMINATION COMMITTEE

Benson Tung Wah Wing *(Chairman)*
Robert Yau Ming Kim
Tony Chang Chung Kay

COMPANY SECRETARY

Lee Siu Mei

REGISTERED OFFICE

12th Floor, Tungtex Building
203 Wai Yip Street
Kwun Tong
Kowloon
Hong Kong
Telephone: 2797 7000
Fax: 2343 9668

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Citibank N.A.
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
The Hongkong & Shanghai Banking Corporation Limited

SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Secretaries Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

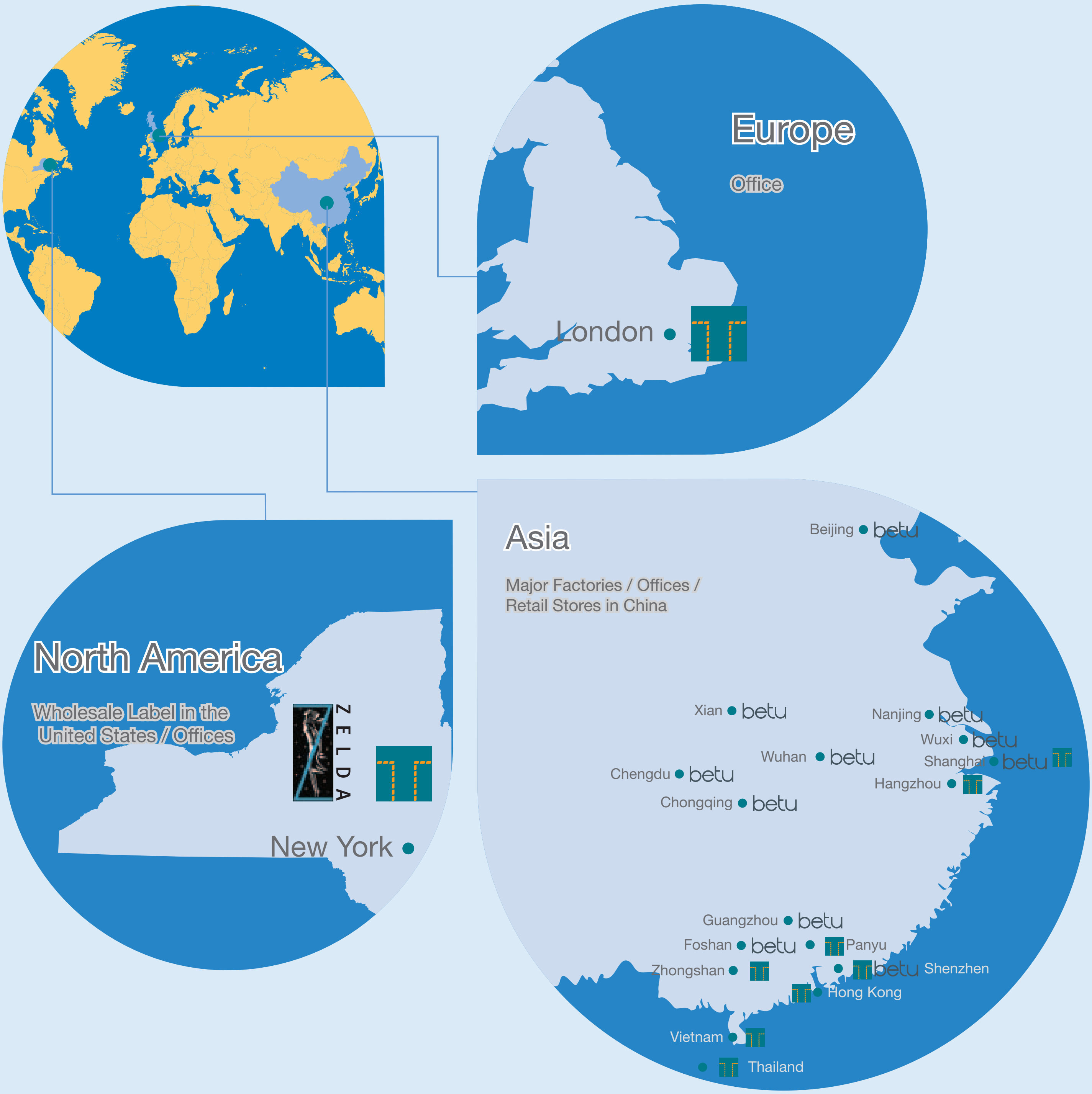
WEBSITE

http://www.tungtex.com
http://www.irasia.com/listco/hk/tungtex

Major Factories / Offices

Wholesale Label in the United States

Retail Stores in China



CHAIRMAN'S STATEMENT

RESULTS

I am pleased to report the result of the Group for the fiscal year ended March 31, 2012.

As indicated in the interim report, under the shadow of world-wide economic slowdown and financial market instability, the Group continued to confront with stern market conditions throughout the entire fiscal year and recorded a turnover of HK$1,601 million for the financial year ended March 31, 2012, showing a dip of 7.6% as compared to last year's. Inclusive of the increase in fair value of investment properties, loss attributable to owners of the Company and loss per share are HK$18.6 million and HK5.3 cents respectively, as compared to profit attributable to owners of the Company and earnings per share of HK$30.1 million and HK8.6 cents respectively for the prior year. Average return on equity is negative 3.9% as compared to positive 6.0% for the prior year.

FINAL DIVIDEND

The Board of Directors does not recommend the payment of a final dividend but has resolved to recommend at the forthcoming Annual General Meeting a special dividend of HK2 cents per share (2011: final dividend of HK4.25 cents per share), payable on September 13, 2012 to shareholders whose names appear on the Register of Members on September 5, 2012. Together with an interim special dividend of HK2 cents per share (2011: interim dividend HK4.25 cents per share), the total dividends for the year will be HK4 cents per share (2011: HK8.5 cents per share).

BUSINESS REVIEW

During the fiscal year, world-wide economy was strongly harassed by a succession of woes, continued credit crunch and sovereign-debt problems in eurozone. Fiscal austerity and serious downturn in eurozone dragged down the economic recovery, making the rebound from recession in United States run out of steam. In fact, adverse impacts of global financial crisis had eased somewhat in the United States during the year, however, consumer confidence and spending remained depressed due to worries about unemployment, salary prospects and instability of global financial markets. Accordingly, total export sales to North America segment dropped by 10.6% to HK$1,245 million, representing 77.8% of the Group's turnover. During this rigorous year, "Zelda" wholesale brand business of the Group in the United States was tautly operated in a controlled scale which effectively minimized operational expenses. As for Europe, uncertainties and pessimistic sentiment originated from the deepened eurozone crisis inevitably hit our sales to Europe and other markets segment, which recorded a slide of 4.8% to HK$160 million, accounting for 10.0% of the Group's turnover.

In view of overstrained credit availability in the financial market, trade receivable insurance facilities were not sufficiently available for all overseas buyers. Deliberate control in accepting orders was exercised during the year, crimping the growth in our turnover. With our endeavors, however, export sales started to be back on track in the second half of the year. Decline in turnover as compared to the same period last year has been reduced from 11.4% for the first half of the year to 3.6% for the second half of the year.

Other than the turmoil in Europe, volatile global stock market, economic slowdown and apparent slowing jobs growth in United States were all adverse factors constraining our upward price adjustment. Meanwhile, manufacturing costs especially the labor wages in China stood high persistently. Appreciation in Renminbi gradually retarded in the second half of the financial year, yet still having influential impacts. Combined with high inflation's effects, raw material costs and other factory overheads kept surging. As such costs could not be fully shifted to our clients, our gross profit margin was between the upper and nether millstone. To mitigate the booming cost pressure, the Group has embarked on sourcing diversified materials, streamlining production process, restructuring human resources and stringently executing lean management as well as costs control.

China's economic growth has slowed for five consecutive quarters, with only 8.1% in the quarter of January to March this year, the least in almost three years. Competition of fashion retail in Mainland China, on the other hand, was getting more rigorous among international brands, as well as domestic brands. We strived to contend for favorable store locations, better lease terms and qualified franchisees, while at the same time innovating product design, monitoring stock movements conscientiously, refurbishing stores and closing loss-making outlets. Total retail sales in Mainland China increased by 7.4% and accounted for 9.6% of the turnover of the Group. Nevertheless, our profitability was impeded by the persistent rising contingent rents of retail stores, as well as the high wages and inflation. At the fiscal year end date, there were 122 directly managed stores and 101 franchised stores in operation.

PROSPECTS

World-wide economic conditions will remain challenging in the coming fiscal year. Stagnancy in Europe, sluggish growth in the United States, obvious slowdown in China and high oil prices are sure to hamper the economic recovery pace and make global financial market bumpy.

In the United States, increase in real gross domestic product was disappointing for the first quarter of 2012, while the unemployment rate remained high in recent month. Meanwhile, latest consumer price index further decreased and recorded the greatest drop since Dec of 2008. Diminished job creation, weak incomes, nonstop downward pressure on real estate and financial wealth, together with deteriorating strains in European markets, have raised the downside risks to the United States' 2012 economic outlook. In the absence of a foreseeable robust growth in the short term, cautions will prevail and probably further discourage spending, hiring and investment at all levels. At this moment, there is no clue to predict on the depth and length of eurozone debt crisis, however, the possibility of a weaker economy in Europe stays high. In such circumstance, we will persistently enhance product value and expand our customer base with tight control over credit risks. In the near term, we do not see the chance of a swift upturn and our performance will be undermined by the feeble world-wide economy and the resulting consumer confidence.

CHAIRMAN'S STATEMENT

The surging costs in China will continue to be the main focus of the industry in the coming years. Stringent costs control propelled by continuous improving management is what we always emphasize. With keen determination to brace against this challenge, the Group will conscientiously reinforce lean management over all aspects with a view to boost efficiency with our resources over merchandising, production, distribution, inventory control and costs control. On the other hand, the Group will also strategically increase production capacities in Asian country other than China. We believe our competence, agility, solid fiscal foundation and long-term trust with our customers and business partners will keep us weathering the upcoming adversities and better off when economy picks up.

Meanwhile, China's growth is gradually weakening. Domestic consumption is expanded at a slower pace. Considering the solid economic foundation and long-term prospect, however, the Group remains confident with the Mainland market. We will develop our retail business with steady steps by refining product design, striving for advantageous store locations and distribution channels, while keeping a watchful eye on contingent rents of retail stores, operating costs and non-profitable stores. As at report date, there are 248 "Betu" stores across Mainland China, of which 123 are operated by franchisees.

ACKNOWLEDGEMENT

I would like to take this opportunity to express my gratitude to our shareholders, customers, suppliers and business partners for their continuous trust and support over the years, especially in the arduous period. Last but not least, I would like to extend my sincere appreciation to my fellow directors, the management and all the staff for their dedication and contribution to the Group throughout the year.

Benson Tung Wah Wing
Chairman
Hong Kong, June 28, 2012

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors:

Benson Tung Wah Wing

Chairman

Chairman of Nomination Committee

Member of Remuneration Committee

Aged 61, is the principal founder of the Group and has been involved in the garment industry since 1967. Under his leadership, the Group was listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 1988. He is the brother of Mr. Tung Siu Wing, the uncle of Mr. Raymond Tung and the father of Mr. Martin Tung and Mr. Billy Tung. He and his spouse, Madam Wong Fung Lin, who together own 100% equity interests in equal share in Corona Investments Limited ("Corona"). Corona is the substantial shareholder of the Company (as disclosed in the section headed "Substantial Shareholders" in the Directors' Report).

Alan Lam Yiu On

Managing Director

Aged 50, was appointed as an executive director in 1995, the deputy managing director in 2001 and then the managing director in 2003. Prior to joining the Company in 1988, he worked for an international accounting firm for over 3 years. He holds a Professional Diploma in Accountancy from The Hong Kong Polytechnic University.

Raymond Tung Wai Man

Aged 46, joined the Group in 1988 and was appointed as an executive director in 2000. He is also an executive director of Tungtex Trading Company Limited. He holds a Post-experience Certificate in Engineering Business Management from The University of Warwick. He is the nephew of Mr. Benson Tung and Mr. Tung Siu Wing and the cousin of Mr. Martin Tung and Mr. Billy Tung.

Martin Tung Hau Man

Aged 37, joined the Group in 2000 and was promoted to assistant director in 2002 and was appointed as an executive director in 2010. He is also the managing director of Sing Yang Trading Limited. He holds a Bachelor of Arts Degree in Economics from Simon Fraser University and a Master of Science Degree in Engineering Business Management from The University of Warwick. He is the son of Mr. Benson Tung, the brother of Mr. Billy Tung, the nephew of Mr. Tung Siu Wing and the cousin of Mr. Raymond Tung.

Billy Tung Chung Man

Aged 35, joined the Group in 2001 and was promoted to assistant director in 2003 and was appointed as an executive director in 2010. He is also the managing director of the Group's retail operation. He holds a Bachelor of Engineering Degree in Civil Engineering from The University of Warwick and a Master of Science Degree in Information Technology from University College London. He is the son of Mr. Benson Tung, the brother of Mr. Martin Tung, the nephew of Mr. Tung Siu Wing and the cousin of Mr. Raymond Tung.

Non-executive Directors:

Tung Siu Wing

Aged 62, is a co-founder of the Group. He was redesignated as a non-executive director of the Company in 2002. He has been involved in the garment industry for over 46 years. He is a brother of Mr. Benson Tung and the uncle of Mr. Raymond Tung, Mr. Martin Tung and Mr. Billy Tung.

Kevin Lee Kwok Bun

Aged 62, was appointed as an executive director of the Company in 1987. He was redesignated as a non-executive director of the Company in 1995. Prior to joining the Company, he worked for an international accounting firm for 10 years and held the position of chief financial officer at two local listed companies. He is a fellow member of the Association of Chartered Certified Accountants, a member of the Canadian Institute of Chartered Accountants and the Hong Kong Institute of Certified Public Accountants. He holds a Bachelor of Social Science Degree from The University of Hong Kong.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors:

Johnny Chang Tak Cheung

Aged 69, has been a non-executive director of the Company since the listing of the Company's shares in 1988. He was redesignated as an independent non-executive director of the Company in 1995. He has 44 years' experience in the garment business and is currently a director of a famous shirt making private company. He is the uncle of Mr. Tony Chang.

Tony Chang Chung Kay

Member of Audit Committee, Remuneration Committee and Nomination Committee

Aged 56, was appointed as a non-executive director of the Company in 1994. He was redesignated as an independent non-executive director of the Company in 1995. He is a director of a famous shirt making private company and has 35 years' experience in the garment industry. He holds a Bachelor of Science Degree from McGill University. He is the nephew of Mr. Johnny Chang.

Joseph Wong King Lam

Chairman of Audit Committee
Member of Remuneration Committee

Aged 60, was appointed as an independent non-executive director of the Company in 2004. He had been the company secretary of the Company from 1987 to 1991 and the financial controller of the Company from 1987 to 1992. He has more than 32 years' extensive experience in auditing, corporate and financial management with a number of companies in different business sectors which include an international accounting firm and local listed companies. He is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Mr. Wong resigned as an executive director of Grand Field Group Holdings Limited and Asia Resources Holdings Limited in August 2011 and May 2012 respectively; and retired as an executive director of Karce International Holdings Company Limited in June 2012. The shares of all the above companies are listed on the Main Board of the Stock Exchange.

Robert Yau Ming Kim

Chairman of Remuneration Committee
Member of Audit Committee and Nomination Committee

Aged 73, was appointed as an independent non-executive director of the Company in 2006. He has extraordinary and extensive experience in the textile and clothing industry. Before his retirement as managing director of a renowned international apparel buying office in Hong Kong in August 2004, he had held senior positions including chief executive or managing director of various major international and local apparel companies since 1971. From 1998 to 2004, he served as vice chairman of Hong Kong Exporters' Association, member of the Executive Committee of The Hong Kong Shippers' Council and member of the Garment Advisory Committee of the Hong Kong Trade Development Council. Graduated at Wah Yan College, he first served as trade officer in the Hong Kong Government in 1964. In 1970, he was seconded by the Hong Kong Government to the General Agreement on Tariffs and Trade ("GATT") Secretariat (now known as the World Trade Organization) in Geneva, Switzerland and was awarded GATT Fellowship after his attachment. He is currently an independent non-executive director of Parkson Retail Group Limited and Alltronics Holdings Limited respectively, which shares are listed on the Main Board of the Stock Exchange.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Dixon Ng Po Chuen

Aged 55, is the managing director of Golden Will Fashions Limited. He joined the Group in 1991 and has 37 years' experience in the garment industry. He holds a Certificate in Clothing from the Institute of Vocational Education (Kwun Tong).

Lee Siu Mei

Aged 38, is the group chief financial officer and the company secretary of the Company. She is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Company in 1999, she worked for an international accounting firm for about 3 years. She holds a Bachelor of Business Administration Degree in Professional Accountancy from The Chinese University of Hong Kong and a Master of Science Degree in Engineering Business Management from The University of Warwick.

Chan Chung Choi

Aged 66, is an in-house consultant on quality production management of the Group. He joined the Company in 2002 and has 41 years' experience in the garment industry. He holds a Certificate in Apparel Engineering from Kurt Salmon Associates Inc. and a Bachelor of Social Science Degree from The Chinese University of Hong Kong.

Joe Hui Siu Ngor

Aged 48, is the general manager of Do Do Fashion Limited in charge of Sales and Marketing. She joined the Group in 1987 and has 25 years' experience in the garment industry.

Monnie Tong Lai Ying

Aged 50, is the general manager of Do Do Fashion Limited in charge of Finance and Administration. She joined the Group in 1988 and has 28 years' experience in the garment industry.

Tammy Wong Ming Hung

Aged 53, is a director of Yellow River, Inc.. Prior to joining Yellow River, Inc. in 1986, she worked for Do Do Fashion Limited for 9 years. She has 35 years' experience in the garment industry.

Amy Kwok Yiu Hung

Aged 49, is the general manager of the Hong Kong office of Yellow River Inc.. She joined the Group in 1988 and has 28 years' experience in the garment industry. She holds a Higher Diploma in Fashion and Clothing from The Hong Kong Polytechnic University.

Daniel Kwok Sui Chuen

Aged 58, is the president of THL Inc.. Prior to joining the Group in 2004, he was the owner and senior management of number of apparel manufacturing and retail companies in the United States. He has 28 years' experience in the garment industry. He holds a Bachelor of Science Degree from Stanford University and a Master of Business Administration Degree from The University of Chicago.

Dong Zhong Hui

Aged 57, is the assistant general manager of China operation and a director of Sing Yang (Overseas) Limited. He joined the Group in 1983 and has 32 years' experience in the garment industry. He graduated from the Physics Department of Shanghai Fudan University.


betu20

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

As a result of the world-wide economic slowdown, the turnover of the Group declined by 7.6% to HK$1,601 million. Loss attributable to owners of the Company and loss per share are HK$18.6 million and HK5.3 cents respectively as compared to profit attributable to owners of the Company and earnings per share of HK$30.1 million and HK8.6 cents respectively for last year.

The fall in turnover was due to the combined effect of decrease of 10.6% in export sales to North America segment and decrease of 4.8% in export sales to Europe and other markets segment, net off with the effect of 14.0% increase in total sales in Asia segment. The pre-tax contribution from North America segment, Europe and other markets segment and Asia segment decreased to HK$17.7 million, HK$11.9 million and HK$0.4 million respectively. Due to a series of measures imposed by Hong Kong government to stabilize the property market and affected by the unclear outer financial factors, appreciation of properties in Hong Kong slowed down in current year. The Group recorded an increase in fair value of its investment properties of HK$20.7 million, a decrease of HK$5.2 million as compared with last year's.

During the year under review, our business was suffering from demand in decline caused by the anaemic economic recovery; and higher raw material costs spurred by inflation. Much the same goes for the drastic rises ever so in both wages and contingent rents of retail stores in Mainland China. Appreciation of Renminbi, which seems moderate relative to last year, still exerted negative impacts on our overall costs. Consequently, consolidated costs of sales increased from 80.4% to 81.0% of total sales, while the selling and distribution costs increased to 6.2% (2011: 5.5%) of total sales and the administrative expenses increased to 15.1% (2011: 13.8%) of total sales. Owing to the rise in interest rates in the credit market and increase in short-term financing during the year, the Group's finance costs increased by HK$1.5 million to HK$3.0 million.

CAPITAL EXPENDITURE

During the year, the Group has incurred HK$16.0 million capital expenditure (2011: HK$11.7 million). It mainly represented additions of leasehold improvement, regular replacement and upgrade of production facilities.

LIQUIDITY AND FINANCIAL RESOURCES

During the whole fiscal year, the Group's financial position was closely watched and remained healthy. At the end of the financial year, the Group's cash level was recorded at HK$179 million as compared to HK$225 million of last year. Most of the bank balance was placed in USD, HKD and RMB short-term deposits with major banks. Total bank borrowings of HK$44 million included HK$31 million short-term RMB loans, and the remaining balance represents trust receipt loans. The borrowings were denominated in RMB and USD and the bank borrowings represented 9.7% of the shareholders' funds at the fiscal year end date. With the net cash balance of HK$134 million and abundant banking facilities available, the Group has plentiful liquidity and financial resources to meet the operational and investment needs.

Working capital cycle remained under exacting control. Inventory turnover of this year was 41 days, compared to 37 days for prior year. Trade receivable turnover of this year was 39 days, compared to 35 days for prior year. Slower turnover ratios as stated above are mainly because of the drop in annual sales volume for the year under review as compared to last year. Current ratio and quick ratio were 2.1 and 1.4 respectively, as compared to 2.2 and 1.6 of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

At the end of the financial year, certain land and buildings with an aggregate net book value of approximately HK$11 million (2011: HK$11 million) and certain investment properties with an aggregate carrying value of approximately HK$66 million (2011: HK$52 million) were pledged to banks to secure general banking facilities granted to the Group. There was no additional tangible security given to banks during the year.

TREASURY POLICY

The Group continued to adopt prudent policies consistently to hedge exchange rate and interest rate risks associated with our core business. It is our Group's policy not to engage in speculative activities. The majority of our export sales are denominated in USD while a tiny portion destined for the European markets is denominated in EUR. As a substantial portion of the purchases and overheads are denominated in RMB and the EUR exchange rate fluctuation may be significant, the Group entered into forward contracts to hedge the risks as deemed appropriate.

HUMAN RESOURCES

Our employees are the most important asset and the core element of our long-term success. Building a strong and coherent team has always been our management priority. To maintain competitive edge, the Group has streamlined the human resources structure during the year. On the other hand, we keep on retaining dedicated staff and attracting competent new joiners by offering career development opportunities, competitive remuneration package with reference to the market practice and granting share options to eligible employees with a view to ensure their interests aligned with that of the group. The corporate culture of team spirit has also been established to inspire our staff's efforts towards our core values and strategic goals.

As at March 31, 2012, the Group has approximately 5,800 employees globally, as compared to 6,200 as at March 31, 2011. The change was mainly caused by the decrease of production workers in factories located in Mainland China.


ZELDA

The Board of Directors and Management are committed to uphold a high standard of corporate governance with an aim to safeguard the interest of shareholders and the Company as a whole.

Throughout the review year, the Company complied with all requirements set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") which was in effect before April 1, 2012.

A. DIRECTORS

A.1 The Board

The Board is accountable to the shareholders for leading the Group in a responsible and effective manner. Every director is charged with acting in the best interest of the Group and contributing to the Group with their expertise and knowledge. The Board decides on overall Group strategies and monitors the Group's performance on behalf of the shareholders.

During the year ended March 31, 2012, the Board held five regular meetings at approximately quarterly intervals according to the Code. The attendance of each director is set out as follows:

Name of director	Number of attendance
Mr. Benson Tung Wah Wing	5/5
Mr. Alan Lam Yiu On	5/5
Mr. Raymond Tung Wai Man	5/5
Mr. Martin Tung Hau Man	5/5
Mr. Billy Tung Chung Man	5/5
Mr. Tung Siu Wing	5/5
Mr. Kevin Lee Kwok Bun	5/5
Mr. Johnny Chang Tak Cheung	5/5
Mr. Tony Chang Chung Kay	5/5
Mr. Joseph Wong King Lam	5/5
Mr. Robert Yau Ming Kim	5/5

To provide an opportunity to directors to include matters for discussion in the agenda, at least 14 days' notice of a Board meeting is normally given to all directors. Every director is entitled to have access to the advice and services of the company secretary with a view to ensuring that the Board procedures, and all applicable rules and regulations, are followed. All minutes are kept by the company secretary and are open for inspection by any director with reasonably advance notice. Minutes of Board meetings and meetings of Board committees should record in sufficient detail the matters considered by the Board/Board Committees and decisions reached. Draft and final versions of minutes of Board meetings will be sent to all directors for their comments and records respectively within a reasonable time after the Board meeting is held.

Directors have been advised that the Company Secretary can arrange independent professional advice at the expense of the Company should such advice be considered necessary by any director. If a substantial shareholder or a director has a conflict of interest in a matter to be considered material by the Board, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent Board committee will be set up to deal with the matter.

A.2 Chairman and Managing Director

The positions of the Chairman and the Managing Director of the Company are currently held by separated individuals, with Mr. Benson Tung Wah Wing being the Chairman and Mr. Alan Lam Yiu On being the Managing Director. The Chairman is responsible for ensuring that the Board is functioning properly, with good corporate governance practices and procedures. He also steers the Board and the Company towards corporate goals. The Managing Director is responsible for effective implementation of the overall strategies and initiatives adopted by the Board.

With the support of the Managing Director and the Company Secretary, the Chairman seeks to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information on a timely basis.

A.3 Board composition

The Board consists of five executive directors, two non-executive directors and four independent non-executive directors:

Executive directors:

Mr. Benson Tung Wah Wing *(Chairman)*
Mr. Alan Lam Yiu On *(Managing Director)*
Mr. Raymond Tung Wai Man
Mr. Martin Tung Hau Man
Mr. Billy Tung Chung Man

Non-executive directors:

Mr. Tung Siu Wing
Mr. Kevin Lee Kwok Bun

Independent non-executive directors:

Mr. Johnny Chang Tak Cheung
Mr. Tony Chang Chung Kay
Mr. Joseph Wong King Lam
Mr. Robert Yau Ming Kim

More than one-third of the Board are independent non-executive directors and each of the independent non-executive directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. Mr. Johnny Chang Tak Cheung is the uncle of Mr. Tony Chang Chung Kay. They declare the relationship does not affect their independence as they make decision independently and vote in their own accord. The Company considers that all independent non-executive directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent.

The relationship among members of the Board is disclosed in "Profile of Directors and Senior Management" of this annual report.

A.4 Appointment, re-election and removal

In accordance with the Code and the Company's Articles of Association, all directors (including independent non-executive directors) are subject to retirement by rotation once every three years. Composition of the Board will be reviewed regularly to ensure that it covers a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The directors' profile is set out on pages 9 to 10.

The structure, size and composition of the Board are reviewed from time to time to ensure the Board has a balanced composition of skills, knowledge and experience appropriate for the requirements of the businesses of the Group. Prior to the establishment of a Nomination Committee on March 20, 2012, the full Board was involved in the appointment of new directors.

A.5 Nomination Committee

A Nomination Committee was established by the Company on March 20, 2012. The Committee is chaired by Mr. Benson Tung Wah Wing, the Chairman of the Board. The other members are Mr. Robert Yau Ming Kim and Mr. Tony Chang Chung Kay, who are independent non-executive directors. No meeting was held during the year.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, identify and nominate potential individuals for directorship, and assess the independence of independent non-executive directors and make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors. Nomination Committee meets at least once a year. The full terms of reference are available on the Company's website at http://www.tungtex.com and the website of the Stock Exchange of Hong Kong Limited ("Stock Exchange").

A.6 Responsibilities of directors

The directors are continually updated with the regulatory requirements, business activities and development of the Company to facilitate the discharge of their responsibilities. Through regular Board meetings, all directors are kept abreast of the conduct, business activities and development of the Company.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Confirmation has been sought from all directors that they have complied with the required standards set out in the Model Code throughout the year ended March 31, 2012. The Board has also adopted the Model Code as guidelines for relevant employees in respect of their dealings in the securities of the Company.

A.7 Supply of and access to information

In respect of regular Board meetings, an agenda and accompanying board papers of the meeting are sent in full to all directors at least 3 days before the intended date of a meeting.

The management has the obligation to supply the Board and the various Committees with adequate information in a timely manner to enable the members to make informed decisions. Each director has separate and independent access to the Company's senior management to acquire more information than is volunteered by management and to make further enquiries if necessary.

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

B.1 The level and make-up of remuneration and disclosure

A Remuneration Committee was established by the Company in 2005. During the year, the Committee has conducted two meetings with Mr. Benson Tung Wah Wing (Former Chairman of the Remuneration Committee) and the other two members which are independent non-executive directors. In order to comply with the amendments to the Listing Rules which became effective on April 1, 2012, Mr. Benson Tung Wah Wing ceased to act as the Chairman of the Remuneration Committee but remains as a member of the Remuneration Committee, and Mr. Robert Yau Ming Kim, an independent non-executive director, be appointed as the Chairman of the Remuneration Committee through a board meeting on March 20, 2012.

The primary function of the Remuneration Committee is to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management. The director's emoluments are determined, among other things, by reference to his duties and responsibilities with the Company, his experience for the industry, prevailing market conditions and the Company's performance. The Remuneration Committee ensures that no Director or any of his associates is involved in deciding his own remuneration. The full terms of reference are available on the Company's website at http://www.tungtex.com and the website of the Stock Exchange.

During the year ended March 31, 2012, the Remuneration Committee held two meetings, with attendance record as follows:

Name of member	Number of attendance
Mr. Robert Yau Ming Kim (appointed as Chairman on March 20, 2012)	N/A
Mr. Benson Tung Wah Wing (resigned as Chairman on March 20, 2012)	2/2
Mr. Tony Chang Chung Kay	2/2
Mr. Joseph Wong King Lam	2/2

In order to attract and retain suitable and high-calibre personnel, to incentivise them to contribute to the future development and growth of the Group and any Invested Entity, a share option scheme was adopted by the Company on September 5, 2006. Details of the share option scheme are set out in note 30 to the consolidated financial statements.

C. ACCOUNTABILITY AND AUDIT

C.1 Financial reporting

The management provides such explanation and information to the Board to facilitate an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group. Meanwhile, the directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. The preparation of the financial statements for the year ended March 31, 2012 is in accordance with statutory requirements and applicable accounting standards.

The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern. The Board has prepared the financial statements on a going concern basis.

The reporting responsibilities of external auditors of the Company are disclosed in "Independent Auditor's Report".

C.2 Internal controls

The Board has overall responsibilities for maintaining a sound and effective internal control system of the Group. The system includes a defined management structure with limits of authority, safeguards its assets against unauthorized use or disposition, ensures the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensures compliance with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage the risks of failure in the Group's operational systems and in the achievement of the Group's objectives.

The Board periodically conducts review of the effectiveness of the system of internal controls, covering all material controls including financial, operational and compliance controls and risk management functions.

Resources, qualifications and experience of the Group's accounting staff and financial reporting function, and their training programmes and budget are considered by the Board from time to time.

C.3 Audit Committee

The Audit Committee was established in 1999 and comprises the three independent non-executive directors. The Committee is chaired by Mr. Joseph Wong King Lam who possesses recognized professional qualifications in accounting and extensive experience in audit and accounting. None of the three Audit Committee members is a former partner of the existing auditing firm of the Company during the one year after he ceases to be a partner of the auditing firm. The Audit Committee is to oversee the Group's financial reporting system and internal control procedures, and to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The full terms of reference are available on the Company's website at http://www.tungtex.com and the website of the Stock Exchange.

During the year ended March 31, 2012 the Audit Committee held four meetings with attendance record as follows:

Name of member	Number of attendance
Mr. Joseph Wong King Lam *(Chairman)*	4/4
Mr. Tony Chang Chung Kay	4/4
Mr. Robert Yau Ming Kim	4/4

At the meetings, the Audit Committee has reviewed the audited financial statements for the year ended March 31, 2012 and the interim accounts for six months ended September 30, 2011 respectively with senior management and the Company's external auditors. The Audit Committee has also reviewed the Group's accounting principles and practices, listing rules and statutory compliance, and financial reporting matters.

C.4 Remuneration to the external auditors of the Company

The remuneration to the external auditors of the Company for the year ended March 31, 2012 is set out as follows:

Services rendered	Fee *HK$'000*
Audit services	1,985
Non-audit services	
– taxation services	195
– other services	384

D. DELEGATION BY THE BOARD

D.1 Management functions

Executive directors are in charge of different business and functional divisions in accordance with their respective areas of expertise. The Board, led by the Chairman, is responsible for setting overall corporate strategies; evaluation of the performance of the Group and the management; and approval of matters that are of a material or substantial nature. Supported by senior management members, the Managing Director is responsible for effective implementation of the Board's decisions and the day-to-day operations of the Group.

D.2 Board committees

Audit Committee, Remuneration Committee and Nomination Committee have been established to oversee specific aspects of the Company's affairs. Each of these committees has specific written terms of reference which deal clearly with their authority and duties.

E. COMMUNICATION WITH SHAREHOLDERS

E.1 Effective communication

The Company discloses relevant information to shareholders through the Company's annual report and financial statements, the interim report, as well as the Annual General Meeting ("AGM"). The sections under "Chairman's Statement" and "Management Discussion and Analysis" of the annual reports facilitate the shareholders' understanding of the Company's activities. The AGM allows the directors to meet and communicate with shareholders. The Company gives at least 20 clear business days' prior notice to shareholders before the AGM. The Company's financial statements and each of the required disclosure of information are dispatched within the prescribed period imposed by laws and regulations.

At the 2011 AGM, a separate resolution was proposed in respect of each substantially separate issue, including the re-election of individual directors. The Chairman of the Board, Chairman of the Audit Committee and Chairman of the Remuneration Committee attended the 2011 AGM and were available to answer questions of the shareholders.

To further promote effective communication, the corporate website is maintained to disseminate Company announcements and other relevant financial and non-financial information electronically on a timely basis.

E.2 Voting by poll

Detailed procedures for conducting a poll were properly explained at the commencement of the 2011 AGM.

At the 2012 AGM, the chairman of the meeting will demand a poll on all the resolutions in accordance with the requirements of the Listing Rules. Poll results will be posted on the websites of the Company and the Stock Exchange on the business day following the general meeting.

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended March 31, 2012.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activity of its subsidiaries is the manufacture and sale of garments, which contributed for more than 90% of the Group's turnover and loss for the year. The activities of its principal subsidiaries and associates are set out in notes 19 and 20 to the consolidated financial statements, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest and five largest customers were 20% and 40%, respectively. The aggregate purchases attributable to the Group's largest and five largest suppliers were 21% and 32%, respectively.

At no time during the year did a director, associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers or suppliers.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended March 31, 2012 are set out in the consolidated income statement on page 34.

An interim special dividend of HK2 cents per share amounting to HK$7,035,000 was paid to the shareholders during the year. The directors now recommend the payment of a special dividend of HK2 cents per share to the shareholders on the register of members on September 5, 2012, amounting to HK$7,035,000 in aggregate.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at March 31, 2012 represented the retained profits of HK$330,400,000 (2011: HK$342,601,000).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 104.

INVESTMENT PROPERTIES

The Group revalued all of its investment properties at March 31, 2012. The increase in fair value of investment properties of HK$20,677,000 is recognised in the consolidated income statement. Details of the movements during the year in the investment properties of the Group are set out in note 15 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group has incurred capital expenditure of HK$15,970,000. It mainly represented leasehold improvements and regular replacement and upgrading of production facilities.

Details of these and other movements during the year in the property, plant and equipment of the Group and the Company are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 29 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' REPORT

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Benson Tung Wah Wing *(Chairman)*
Alan Lam Yiu On *(Managing Director)*
Raymond Tung Wai Man
Martin Tung Hau Man
Billy Tung Chung Man

Non-executive directors:

Tung Siu Wing
Kevin Lee Kwok Bun

Independent non-executive directors:

Johnny Chang Tak Cheung
Tony Chang Chung Kay
Joseph Wong King Lam
Robert Yau Ming Kim

Pursuant to Article 84(A) of the Company's Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation, provided that every director (including those appointed for a specific term or holding office as Chairman or Managing Director) shall be subject to retirement by rotation at least once every three years or within such other period as The Stock Exchange of Hong Kong Limited (the "Stock Exchange") may from time to time prescribe. Accordingly, Messrs. Alan Lam Yiu On, Raymond Tung Wai Man, Martin Tung Hau Man and Johnny Chang Tak Cheung retire by rotation and, being eligible, offer themselves for re-election.

None of the directors being proposed for re-election at the forthcoming annual general meeting has any unexpired service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At March 31, 2012, the interests and short positions of the directors, the chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

Long positions in shares and underlying shares of the Company

Name of director	Capacity	Number of issued ordinary shares held	Number of share options held	Total interests	Percentage of the issued share capital of the Company
Benson Tung Wah Wing	Interest of controlled corporation *(note a)*/ Beneficial owner	125,049,390	1,500,000	126,549,390	35.97%
Alan Lam Yiu On	Beneficial owner	350,000	1,500,000	1,850,000	0.52%
Raymond Tung Wai Man	Beneficial owner	400,000	1,000,000	1,400,000	0.39%
Martin Tung Hau Man	Beneficial owner	370,000	1,000,000	1,370,000	0.39%
Billy Tung Chung Man	Beneficial owner	412,000	1,000,000	1,412,000	0.40%
Kevin Lee Kwok Bun	Beneficial owner	9,000,000	–	9,000,000	2.55%
Johnny Chang Tak Cheung	Beneficial owner/ Beneficiary of a trust *(note b)*	1,941,680	–	1,941,680	0.55%
Tony Chang Chung Kay	Beneficial owner	3,494,760	–	3,494,760	0.99%
Joseph Wong King Lam	Beneficial owner	1,390	–	1,390	0.000395%

Notes:

(a) Mr. Benson Tung Wah Wing and his spouse, Madam. Wong Fung Lin, together own 100% equity interests in equal share in Corona Investments Limited ("Corona"). Corona owned 125,049,390 ordinary shares in the Company as at March 31, 2012, representing 35.55% of the issued share capital of the Company.

(b) Mr. Johnny Chang Tak Cheung is the beneficiary owner who owned 231,680 ordinary shares in the Company as at March 31, 2012. He is also a beneficiary of a trust, Chaco International Limited, which owned 1,710,000 ordinary shares in the Company as at March 31, 2012.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Save as disclosed above, as at March 31, 2012, none of the directors, the chief executives of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

Particulars of the share option scheme and the movements in share options of the Company are set out in note 30 to the consolidated financial statements.

During the year, the movements in the share options to subscribe for the Company's shares are as follows:

					Number of share options				
	Date of grant	Vesting period	Exercisable period	Exercise price per share *HK$*	Outstanding at April 1, 2011	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at March 31, 2012
Category 1: Directors									
Benson Tung Wah Wing	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	1,500,000	–	–	–	1,500,000
Alan Lam Yiu On	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	1,500,000	–	–	–	1,500,000
Raymond Tung Wai Man	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	1,000,000	–	–	–	1,000,000
Martin Tung Hau Man	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	1,000,000	–	–	–	1,000,000
Billy Tung Chung Man	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	1,000,000	–	–	–	1,000,000
Total for directors					6,000,000	–	–	–	6,000,000
Category 2: Employees	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	6,800,000	–	–	(200,000)	6,600,000
Total for employees					6,800,000	–	–	(200,000)	6,600,000
Total for all categories					12,800,000	–	–	(200,000)	12,600,000

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the heading "Share Options" above and in note 30 "Share-based payment transactions" to the consolidated financial statements, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance, to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

At March 31, 2012, shareholders who had interests or short positions in the shares and underlying shares of the Company, other than directors or chief executives of the Company, which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Corona Investments Limited *(note a)*	Beneficial owner	125,049,390	35.55%
FMR LLC *(note b)*	Investment manager	25,000,000	7.11%

Notes:

(a) These shares have been disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in shares, Underlying Shares and Debentures" above.

(b) FMR LLC was deemed to be interested as investment manager in 25,000,000 shares through its controlled corporations, Fidelity Management & Research Company, which was interested in 22,000,000 shares, and Fidelity Management Trust Company, Pyramis Global Advisors Trust Company and Pyramis Global Advisors LLC, which were interested in 3,000,000 shares in total.

Other than as disclosed above, as at March 31, 2012, the Company has not been notified of any interests or short positions in the shares and underlying shares of the Company, other than those mentioned in the section "Directors' and Chief Executives' Interests and Short Positions in shares, Underlying Shares and Debentures", which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

CONNECTED TRANSACTIONS

Pursuant to Rule 14A.38 of the Listing Rules, the board of directors engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in accordance with the Listing Rules. The independent non-executive directors have reviewed the continuing connected transactions and the unqualified letter from the auditor.

Details of the discloseable connected transactions for the year are set out in note 37 to the consolidated financial statements. In the opinion of the independent non-executive directors, these transactions entered into by the Group were:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Save as disclosed above, there were no other transactions which are required to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

CORPORATE GOVERNANCE

Throughout the year ended March 31, 2012, the Company complied with all the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange which was in effect before April 1, 2012.

Further information on the Company's corporate governance practices is set out in the "Corporate Governance Report" from pages 17 to 23.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard set out in the Model Code.

EMOLUMENT POLICY

The emoluments of the directors of the Company are determined, among other things, with reference to their duties and responsibilities in the Company, their experience in the industry, prevailing market conditions and the Company's performance.

The Company has adopted a share option scheme to directors and eligible employees, details of the scheme are set out in note 30 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules throughout the year ended March 31, 2012.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$175,000.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board
Benson Tung Wah Wing
Chairman

Hong Kong, June 28, 2012

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF TUNGTEX (HOLDINGS) COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Tungtex (Holdings) Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 103, which comprise the consolidated and company statements of financial position as at March 31, 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at March 31, 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
June 28, 2012

CONSOLIDATED INCOME STATEMENT

For the year ended March 31, 2012

	NOTES	2012 HK$'000	2011 HK$'000
Revenue	6	**1,600,592**	1,732,113
Cost of sales		**(1,296,101)**	(1,393,051)
Gross profit		**304,491**	339,062
Other income	7	**3,317**	2,760
Increase in fair value of investment properties		**20,677**	25,831
Fair value changes on derivative financial instruments		**56**	(756)
Selling and distribution costs		**(99,680)**	(94,564)
Administrative expenses		**(242,167)**	(238,880)
Finance costs	8	**(2,997)**	(1,480)
Share of profits of associates		**332**	940
(Loss) profit before tax	9	**(15,971)**	32,913
Income tax expense	12	**(5,946)**	(5,591)
(Loss) profit for the year		**(21,917)**	27,322
(Loss) profit for the year attributable to:			
Owners of the Company		**(18,630)**	30,119
Non-controlling interests		**(3,287)**	(2,797)
		(21,917)	27,322
(Loss) earnings per share	14		
Basic (HK cents)		**(5.3)**	8.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31, 2012

	2012	2011
	HK$'000	*HK$'000*
(Loss) profit for the year	**(21,917)**	27,322
Other comprehensive income (expenses)		
Exchange differences arising on translation of foreign operations	**660**	(127)
Exchange differences arising on translation of associates	**100**	84
Other comprehensive income (expenses) for the year	**760**	(43)
Total comprehensive (expenses) income for the year	**(21,157)**	27,279
Total comprehensive (expenses) income for the year attributable to:		
Owners of the Company	**(17,850)**	30,086
Non-controlling interests	**(3,307)**	(2,807)
	(21,157)	27,279

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At March 31, 2012

	NOTES	2012 HK$'000	2011 HK$'000
Non-current assets			
Investment properties	15	97,416	76,739
Property, plant and equipment	16	100,077	103,598
Prepaid lease payments	17	11,296	11,680
Intangible assets	18	33	106
Interests in associates	20	2,851	2,419
Deferred tax assets	21	74	328
		211,747	194,870
Current assets			
Inventories	22	180,709	175,438
Trade and other receivables	23	206,087	240,758
Prepaid lease payments	17	384	384
Amount due from an associate	37	3,030	2,942
Tax recoverable		4,330	4,373
Derivative financial instruments	27	56	–
Bank balances and cash	24	178,667	224,767
		573,263	648,662
Current liabilities			
Trade and other payables	25	228,739	213,828
Amount due to a non-controlling shareholder of a subsidiary	37	900	1,300
Tax liabilities		816	32,214
Obligations under finance leases – due within one year	26	76	130
Derivative financial instruments	27	–	756
Bank borrowings	28	44,292	42,573
		274,823	290,801
Net current assets		298,440	357,861
Total assets less current liabilities		510,187	552,731

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At March 31, 2012

	NOTES	2012 HK$'000	2011 HK$'000
Non-current liabilities			
Deferred tax liabilities	21	**17,076**	13,309
Obligations under finance leases			
– due after one year	26	**60**	31
		17,136	13,340
		493,051	539,391
Capital and reserves			
Share capital	29	**70,346**	70,346
Reserves		**384,464**	424,297
Equity attributable to owners of the Company		**454,810**	494,643
Non-controlling interests		**38,241**	44,748
		493,051	539,391

The consolidated financial statements on pages 34 to 103 were approved and authorised for issue by the Board of Directors on June 28, 2012 and are signed on its behalf by:

Benson Tung Wah Wing
Director

Alan Lam Yiu On
Director

STATEMENT OF FINANCIAL POSITION

At March 31, 2012

	NOTES	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	16	**3,087**	472
Investments in subsidiaries	19	**113,196**	121,140
Investment in an associate	20	**1,686**	1,686
Deferred tax asset	21	**–**	178
		117,969	123,476
Current assets			
Other receivables	23	**2,451**	1,612
Amounts due from subsidiaries	37	**383,776**	407,413
Tax recoverable		**7**	244
Bank balances and cash	24	**5,071**	4,910
		391,305	414,179
Current liabilities			
Other payables and accruals	25	**4,836**	5,037
Amounts due to subsidiaries	37	**14,089**	30,179
		18,925	35,216
Net current assets		**372,380**	378,963
Total assets less current liabilities		**490,349**	502,439
Non-current liability			
Deferred tax liabilities	21	**111**	–
		490,238	502,439
Capital and reserves			
Share capital	29	**70,346**	70,346
Reserves	31	**419,892**	432,093
		490,238	502,439

Benson Tung Wah Wing
Director

Alan Lam Yiu On
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended March 31, 2012

	Attributable to owners of the Company									
	Share capital	Share premium	Capital redemption reserve	Translation reserve	Share option reserve	Asset revaluation reserve	Retained profits	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At April 1, 2010	70,346	84,880	3,930	(1,472)	682	6,128	341,391	505,885	47,555	553,440
Profit for the year	–	–	–	–	–	–	30,119	30,119	(2,797)	27,322
Exchange differences arising on translation of foreign operations	–	–	–	(87)	–	–	–	(87)	(40)	(127)
Exchange differences arising on translation of associates	–	–	–	54	–	–	–	54	30	84
Total comprehensive income for the year	–	–	–	(33)	–	–	30,119	30,086	(2,807)	27,279
Dividends recognised as distribution *(note 13)*	–	–	–	–	–	–	(41,328)	(41,328)	–	(41,328)
At March 31, 2011	70,346	84,880	3,930	(1,505)	682	6,128	330,182	494,643	44,748	539,391
Loss for the year	–	–	–	–	–	–	(18,630)	(18,630)	(3,287)	(21,917)
Exchange differences arising on translation of foreign operations	–	–	–	717	–	–	–	717	(57)	660
Exchange differences arising on translation of associates	–	–	–	63	–	–	–	63	37	100
Total comprehensive expenses for the year	–	–	–	780	–	–	(18,630)	(17,850)	(3,307)	(21,157)
Dividends recognised as distribution *(note 13)*	–	–	–	–	–	–	(21,983)	(21,983)	–	(21,983)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(3,200)	(3,200)
At March 31, 2012	**70,346**	**84,880**	**3,930**	**(725)**	**682**	**6,128**	**289,569**	**454,810**	**38,241**	**493,051**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31, 2012

	2012	2011
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
(Loss) profit before tax	**(15,971)**	32,913
Adjustments for:		
Depreciation of property, plant and equipment	**20,575**	20,710
Increase in fair value of investment properties	**(20,677)**	(25,831)
Finance costs	**2,997**	1,480
Share of profits of associates	**(332)**	(940)
Amortisation of prepaid lease payments	**384**	384
Loss (gain) on disposal of property, plant and equipment	**418**	(418)
Amortisation of intangible assets	**73**	73
Bank interest income	**(249)**	(274)
Fair value changes on derivative financial instruments	**(56)**	756
Operating cash flows before movements in working capital	**(12,838)**	28,853
Increase in inventories	**(5,271)**	(21,402)
Decrease in trade and other receivables	**2,272**	6,442
Increase in amount due from an associate	**(88)**	(1,644)
Increase (decrease) in trade and other payables	**13,143**	(20,918)
Decrease in derivative financial instruments	**(756)**	–
Cash used in operations	**(3,538)**	(8,669)
Hong Kong Profits Tax paid	**(4,085)**	(3,772)
Taxation in other jurisdictions paid	**(813)**	(1,198)
Hong Kong Profits Tax refunded	**4,260**	1,766
Taxation in other jurisdictions refunded	**391**	1,746
NET CASH USED IN OPERATING ACTIVITIES	**(3,785)**	(10,127)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(15,835)**	(11,744)
Proceeds on disposal of property, plant and equipment	**203**	1,336
Interest received	**249**	274
NET CASH USED IN INVESTING ACTIVITIES	**(15,383)**	(10,134)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31, 2012

	2012 HK$'000	2011 HK$'000
FINANCING ACTIVITIES		
Bank borrowings raised	**122,254**	39,456
Dividends paid	**(21,983)**	(41,328)
Dividends paid to non-controlling shareholders of subsidiaries	**(3,200)**	–
Interest paid	**(2,997)**	(1,480)
Repayment of bank borrowings	**(121,624)**	(27,804)
Repayment to a non-controlling shareholder of a subsidiary	**(400)**	(3,000)
Repayment of obligations under finance leases	**(160)**	(235)
NET CASH USED IN FINANCING ACTIVITIES	**(28,110)**	(34,391)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(47,278)**	(54,652)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**224,767**	278,057
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**1,178**	1,362
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balance and cash	**178,667**	224,767

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2012

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and the principal place of business of the Company is disclosed in the Corporate Information section of the annual report.

The functional currency of the Company is United States dollars ("USD"). The consolidated financial statements are presented in Hong Kong dollars ("HKD") for the convenience of the shareholders as the Company is listed in Hong Kong.

The Company is an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 19 and 20, respectively.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and revised standards and interpretations applied in the current year

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle[4]
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

1 Effective for annual periods beginning on or after July 1, 2011
2 Effective for annual periods beginning on or after January 1, 2012
3 Effective for annual periods beginning on or after July 1, 2012
4 Effective for annual periods beginning on or after January 1, 2013
5 Effective for annual periods beginning on or after January 1, 2014
6 Effective for annual periods beginning on or after January 1, 2015

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors anticipate that the application of the amendments to HKFRS 7 in the future may have significant impact on the Group's disclosures regarding discounting of bill receivables.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning on April 1, 2015 and may not have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurement. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning on April 1, 2013 and that the application of HKFRS 13 may result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 will be adopted in the Group's consolidated financial statements for annual periods beginning on April 1, 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after January 1, 2012. The directors anticipate the presumption will be rebutted since the Group's investment properties are depreciable and are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, it is expected the application of the amendments to HKAS 12 in future accounting periods may not result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties.

The directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values, as explained in accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any. Freehold land is stated at cost less accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than freehold land, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Investments in subsidiaries

Investments in subsidiaries are included in the statement of financial position of the Company at cost less any identified impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates

An associate is an entity, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the statement of financial position of the Company, investments in associates are stated at cost, as reduced by any identified impairment loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are financial assets at fair value through profit or loss ("FVTPL") and loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL are assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "Fair value changes on derivative financial instruments" in the consolidated income statement. Fair value is determined in the manner described in note 27.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from an associate and subsidiaries and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all loans and receivables.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss ("FVTPL") and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities at fair value through profit or loss

The Group's financial liabilities classified as financial liabilities at FVTPL are derivatives that are not designated as hedging instruments.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise.

Other financial liabilities

Other financial liabilities (including trade and other payables, amount due to a non-controlling shareholder of a subsidiary, amounts due to subsidiaries and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Company and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generated unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generated unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") and state-managed retirement benefit scheme, which are defined contribution schemes, are charged as an expense when employees have rendered service entitling them to the contributions.

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to the share option reserve.

At the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to share premium. When the share option scheme expires, the share option reserve related to forfeited share options will be transferred to retained profits.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HKD) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

4. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 28, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and various reserves.

The directors of the Company review the capital structure on an on-going basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
At FVTPL – Derivative financial instruments	**56**	–	**–**	–
Loans and receivables (including cash and cash equivalents)	**359,337**	401,980	**390,534**	413,090
	359,393	401,980	**390,534**	413,090
Financial liabilities				
At FVTPL – Derivative financial instruments	**–**	756	**–**	–
Obligation under finance lease	**136**	161	**–**	–
Amortised cost	**204,816**	191,076	**14,920**	31,020
	204,952	191,993	**14,920**	31,020

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The major financial instruments of the Group include trade and other receivables, amount due from an associate, bank balances and cash, trade and other payables, amount due to a non-controlling shareholder of a subsidiary, obligations under finance leases, derivative financial instruments and bank borrowings. The major financial instruments of the Company include other receivables, amounts due from subsidiaries, bank balance and cash, other payables and amounts due to subsidiaries. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (represented by currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency transactions and foreign currency borrowings, which expose the Group to foreign currency risk.

The Company has foreign currency amounts due from (to) subsidiaries, which expose the Company to foreign currency risk.

The Group manages and monitors foreign exchange exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group has entered into several foreign currency forward contracts to mitigate the risks as deemed appropriate.

The carrying amounts of foreign currency denominated monetary assets and monetary liabilities of the Group and the Company at the reporting date that are considered significant by management are as follows:

	THE GROUP				THE COMPANY			
	Liabilities		Assets		Liabilities		Assets	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
HKD	**64,580**	52,454	**21,640**	33,219	**14,920**	31,020	**386,069**	411,847
Renminbi ("RMB")	**65,876**	60,917	**81,670**	68,650	**–**	–	**25**	–
EURO ("EUR")	**30**	171	**3,011**	3,150	**–**	–	**–**	–

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(i) Currency risk (Continued)

As at March 31, 2012, the derivative financial instruments of the Group represent foreign currency forward contracts with aggregate notional amounts of HK$44,300,000 and EUR623,000 (2011: HK$71,000,000 and EUR1,002,000). Details of which are set out in note 27. Upon the maturity of the foreign currency forward contracts, the Group buy USD and RMB amounting to USD811,000 and RMB36,257,000, respectively, in total (2011: the Group sold USD and HKD amounting to USD41,000 and HKD135,000, and bought HKD, USD and RMB amounting HKD131,000, USD1,241,000 and RMB59,479,000, respectively, in total).

Sensitivity analysis

As HKD is pegged with USD, currency risk in relation to HKD denominated monetary assets/ liabilities is expected to be minimal.

The following table details the sensitivity of the Group to a 5% increase and decrease in USD against RMB and EUR. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. On this basis, there will be an increase/a decrease in post-tax loss/profit for the year where USD strengthens against RMB and EUR by 5%, and vice versa.

	THE GROUP			
	RMB Impact		EUR impact	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Increase/decrease in post-tax loss/profit for the year	**592**	290	**124**	124

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis *(Continued)*

As at March 31, 2012, for the Group's outstanding foreign currency contracts, if the market bid forward foreign exchange rate of RMB against HKD and USD against EUR had been 5% higher/lower, post-tax loss for the year would increase/decrease by approximately HK$1,618,000 and HK$269,000, respectively.

As at March 31, 2011, for the Group's outstanding foreign currency forward contracts, if the market bid forward foreign exchange rate of RMB against HKD and EUR against USD or HKD had been 5% higher/lower, post-tax profit for the year would increase/decrease by approximately HK$2,570,000, HK$651,000 and HK$13,000, respectively.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk primarily in relation to the floating-rate bank balances, amount due to a non-controlling shareholder of a subsidiary and bank borrowings. The Company is exposed to cash flow interest rate risk primarily in relation to the floating-rate bank balances and amount due from subsidiaries. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

No sensitivity analysis is prepared for the Group's and the Company's exposure to interest rate risk as the impact is not significant.

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk

As at March 31, 2012, the maximum exposure to credit risk by the Group and the Company which will cause a financial loss due to failure to discharge an obligation by the counterparties and financial guarantees provided is arising from:

- the carrying amounts of the recognised financial assets as stated in the consolidated and Company statement of financial position; and
- the amount of contingent liabilities in relation to financial guarantee issued by the Company as disclosed in note 34.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group only extends credit to customers based on careful evaluation of the customers' financial conditions and credit history. Credit sales of products are made to customers with an appropriate credit history. In addition, the Group reviews the recoverable amount of debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk on trade receivables by geographical locations is mainly in the United States of America (the "USA") which accounted for 74% (2011: 79%) of the total trade receivables balance at March 31, 2012. The Group also has concentration of credit risk on its five largest customers which represent 30% (2011: 35%) of the total trade receivables balance and of which the largest customer represents 9% (2011: 17%) of the total trade receivables balance. For both years, the five largest customers, which are engaged in garment trading and are located in the USA, have good repayment history and credit quality with reference to the track records of these customers under internal assessment by the Group.

The credit risk on liquid funds of the Group and the Company is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The credit risk of the Company on amounts due from subsidiaries is limited because the directors of the Company consider that the recoverable amount exceeds the carrying amount of amounts due from subsidiaries. The recoverable amount of the amounts due from subsidiaries is determined based on the present value of the future cash flows expected to be derived from the subsidiaries. The Company has concentration of credit risk on five of its subsidiaries which represent 87% (2011: 84%) of the total amounts due from subsidiaries balance.

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with the relevant loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at March 31, 2012, the Group has available unutilised banking facilities of approximately HK$1,055,775,000 (2011: HK$686,284,000).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay. Specifically bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their right. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment date.

The table includes both interest and principle cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

THE GROUP

2012

	Weighted average effective interest rate %	On demand or less than 1 month *HK$'000*	1-3 months *HK$'000*	3 months to 1 year *HK$'000*	Over 1 year *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at March 31, 2012 *HK$'000*
Non-derivative financial liabilities							
Trade and other payables	–	144,884	13,995	745	–	159,624	159,624
Amount due to a non-controlling shareholder of a subsidiary	2.05	–	–	905	–	905	900
Obligations under finance leases	14.60	14	29	51	73	167	136
Bank borrowings *(Note)* – floating-rate	6.09	44,292	–	–	–	44,292	44,292
		189,190	14,024	1,701	73	204,988	204,952

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

THE GROUP *(Continued)*

2011

	Weighted average effective interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at March 31, 2011
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities							
Trade and other payables	–	134,380	12,543	280	–	147,203	147,203
Amount due to a non-controlling shareholder of a subsidiary	1.40	–	1,303	–	–	1,303	1,300
Obligations under finance leases	9.58	16	32	111	39	198	161
Bank borrowings *(note)* – floating-rate	4.32	42,573	–	–	–	42,573	42,573
		176,969	13,878	391	39	191,277	191,237
Derivative – gross settlement							
Foreign exchange forward contracts							
– inflow	–	(5,412)	(17,891)	(57,958)	–	(81,261)	(81,261)
– outflow	–	5,400	18,062	58,555	–	82,017	82,017
		(12)	171	597	–	756	756

Note:

Bank borrowings with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. As at March 31, 2012, the aggregate principal amount of these bank loans amounted to HK$44,292,000 (2011: HK$42,573,000). Taking into account the Group and the Company's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid within one year after the end of the reporting period of March 31, 2012 in accordance with the scheduled repayment date set out in the loan agreement. The aggregate principal and interest cash outflows amounted to HK$44,784,000 (2011: HK$43,006,000).

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

THE COMPANY

2012

	On demand or less than 1 month *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at March 31, 2012 *HK$'000*
Non-derivative financial liabilities			
Other payables	831	831	831
Amounts due to subsidiaries	14,089	14,089	14,089
Financial guarantee contracts	323,672	323,672	–
	338,592	338,592	14,920

2011

	On demand or less than 1 month *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at March 31, 2011 *HK$'000*
Non-derivative financial liabilities			
Other payables	841	841	841
Amounts due to subsidiaries	30,179	30,179	30,179
Financial guarantee contracts *(note)*	267,712	267,712	–
	298,732	298,732	31,020

Note: The amount excludes unlimited guarantees issued by the Company to banks to secure banking facilities granted to certain subsidiaries. These unlimited guarantees are not utilised at the end of the reporting period.

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

The amounts included above for financial guarantee contracts are the maximum amounts the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities (excluding derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

- the fair values of foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

All of the derivative financial instruments of the Group that are measured subsequent to initial recognition at fair value are grouped into Level 2 based on the degree to which the fair value is observable.

Level 2 fair value measurements are those derived from inputs other than quoted prices (unadjusted) in an active market included within Level 1 that are observable for the asset or liability, either directly (i. e. as prices) or indirectly (i. e. derived from prices).

6. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers for the purposes of resource allocation and assessment of performance focuses on the geographical areas of sales made by the Group's operating divisions based on the location of customers. The Group is principally engaged in the manufacture and sale of women garments. The Group is currently organised into operating divisions which constitute four operating segments – USA, Canada, Asia and Europe and others.

No segment assets and liabilities are disclosed as they are not reported to the chief operating decision makers.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended March 31, 2012:

	USA	Canada	Asia	Europe and others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
Sales of goods – external	1,222,118	22,780	195,370	160,324	1,600,592
SEGMENT PROFITS	17,576	123	366	11,911	29,976
Unallocated income					3,317
Unallocated expenses					(67,332)
Increase in fair value of investment properties					20,677
Fair value changes on derivative financial instruments					56
Finance costs					(2,997)
Share of profits of associates					332
Loss before tax					(15,971)

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended March 31, 2011:

	USA *HK$'000*	Canada *HK$'000*	Asia *HK$'000*	Europe and others *HK$'000*	Consolidated *HK$'000*
REVENUE					
Sales of goods – external	1,361,243	31,082	171,363	168,425	1,732,113
SEGMENT PROFITS	54,064	580	7,900	10,438	72,982
Unallocated income					2,760
Unallocated expenses					(67,364)
Increase in fair value of investment properties					25,831
Fair value changes on derivative financial instruments					(756)
Finance costs					(1,480)
Share of profits of associates					940
Profit before tax					32,913

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, depreciation of property, plant and equipment, amortisation of prepaid lease payments, increase in fair value of investment properties, fair value changes on derivative financial instruments, share of profits of associates, other income and finance costs. This is the measure reported to the Company's executive directors for the purposes of resource allocation and performance assessment.

6. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's revenue is mainly derived from customers located in Hong Kong (country of domicile), the USA, the PRC, United Kingdom, other European countries and Canada. The Group's revenue from external customers by the geographical location of the customers are detailed below:

	2012 ***HK$'000***	2011 *HK$'000*
The USA	**1,222,118**	1,361,243
The PRC	**168,163**	148,088
United Kingdom	**94,827**	64,825
Other European countries	**46,789**	84,772
Canada	**22,780**	31,082
Hong Kong	**5,062**	10,557
Others	**40,853**	31,546
	1,600,592	1,732,113

The Group's business activities are conducted predominantly in Hong Kong, the PRC and the USA. Information about the Group's non-current assets by the geographical location of the assets is detailed below:

	2012 ***HK$'000***	2011 *HK$'000*
Hong Kong	**113,217**	89,487
The PRC	**81,893**	87,270
The USA	**712**	1,313
Others	**13,000**	14,053
	208,822	192,123

Note: Non-current assets excluded interests in associates and deferred tax assets.

Information about major customers

For the year ended March 31, 2012, there is one (2011: two) external customer in the USA operating segment who contributed over 10% of the total sales of the Group. Its contribution is approximately HK$317,671,000 (2011: HK$328,177,000 and HK$172,911,000, respectively).

7. OTHER INCOME

	2012 HK$'000	2011 HK$'000
Bank interest income	249	274
Rental income from investment properties under operating leases, net of outgoings of HK$283,000 (2011: HK$161,000)	3,068	2,068
Gain on disposal of property, plant and equipment	–	418
	3,317	2,760

8. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Interest on borrowings wholly repayable within five years:		
Bank borrowings	2,958	1,438
Finance leases	39	42
	2,997	1,480

9. (LOSS) PROFIT BEFORE TAX

	2012 HK$'000	2011 HK$'000
(Loss) profit before tax has been arrived at after charging:		
Employee benefits expenses, including those of directors:		
Salaries, allowances and bonus	364,271	343,761
Contributions to retirement benefit schemes	11,220	9,841
Total employee benefits expenses	375,491	353,602
Amortisation of intangible assets	73	73
Amortisation of prepaid lease payments	384	384
Auditor's remuneration	2,120	2,157
Cost of inventories recognised as an expense	1,296,101	1,393,051
Depreciation of property, plant and equipment	20,575	20,710
Loss on disposal of property, plant and equipment	418	–

10. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the eleven (2011: eleven) directors of the Company were as follows:

2012

	Benson Tung Wah Wing *HK$'000*	Alan Lam Yiu On *HK$'000*	Raymond Tung Wai Man *HK$'000*	Martin Tung Hau Man *HK$'000*	Billy Tung Chung Man *HK$'000*	Tung Siu Wing *HK$'000*	Kevin Lee Kwok Bun *HK$'000*	Johnny Chang Tak Cheung *HK$'000*	Tony Chang Chung Kay *HK$'000*	Joseph Wong King Lam *HK$'000*	Robert Yau Ming Kim *HK$'000*	Total *HK$'000*
Fees	–	–	–	–	–	60	60	60	100	100	80	460
Other emoluments:												
Salaries and other benefits	3,770	2,893	1,591	1,300	1,235	–	–	–	–	–	–	10,789
Contributions to retirement benefit schemes	12	12	12	12	12	–	–	–	–	–	–	60
Performance related incentive payments *(note)*	–	–	376	150	150	–	–	–	–	–	–	676
Total emoluments	3,782	2,905	1,979	1,462	1,397	60	60	60	100	100	80	11,985

2011

	Benson Tung Wah Wing *HK$'000*	Alan Lam Yiu On *HK$'000*	Raymond Tung Wai Man *HK$'000*	Martin Tung Hau Man *HK$'000*	Billy Tung Chung Man *HK$'000*	Tung Siu Wing *HK$'000*	Kevin Lee Kwok Bun *HK$'000*	Johnny Chang Tak Cheung *HK$'000*	Tony Chang Chung Kay *HK$'000*	Joseph Wong King Lam *HK$'000*	Robert Yau Ming Kim *HK$'000*	Total *HK$'000*
Fees	–	–	–	–	–	60	60	60	100	100	80	460
Other emoluments:												
Salaries and other benefits	3,770	2,860	1,561	1,235	1,170	–	–	–	–	–	–	10,596
Contributions to retirement benefit schemes	12	12	12	12	12	–	–	–	–	–	–	60
Performance related incentive payments *(note)*	–	304	622	110	110	–	–	–	–	–	–	1,146
Total emoluments	3,782	3,176	2,195	1,357	1,292	60	60	60	100	100	80	12,262

Note: The performance related incentive payments are determined by reference to the Group's operating results, individual performance and prevailing market conditions.

No directors waived any emoluments in the years ended March 31, 2012 and 2011.

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2011: three) were directors of the Company whose emoluments are included in the disclosures in note 10 above. The emoluments of the remaining two (2011: two) individuals were as follows:

	2012	2011
	HK$'000	*HK$'000*
Salaries and other benefits	**4,584**	4,978
Contributions to retirement benefit schemes	**136**	129
Performance related incentive payments *(note)*	**–**	232
	4,720	5,339

Their emoluments were within the following bands:

	Number of employees	
	2012	2011
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,000,001 to HK$3,500,000	**–**	1

During both years, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

Note: The performance related incentive payments are determined by reference to the Group's operating results, individual performance and prevailing market conditions.

12. INCOME TAX EXPENSE

	2012	2011
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**411**	3,208
The PRC	**1,383**	23
Other jurisdictions	**55**	228
	1,849	3,459
Under(over)provision in prior years	**76**	(2,763)
	1,925	696
Deferred taxation *(note 21)*	**4,021**	4,895
	5,946	5,591

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of certain PRC subsidiaries of the Company increased progressively from 15% to 25% before January 1, 2013. The tax rate of the other PRC subsidiaries was 25% for both years.

According to the EIT Law, the profits of the PRC subsidiaries of the Company and associates of the Group derived since January 1, 2008 will be subject to withholding tax at a rate of 5% upon the distribution of such profits to foreign investors incorporated in Hong Kong, or at a rate of 10% for other foreign investors. The Group determined that no deferred tax on withholding tax liabilities shall be recognised since no significant distributable profit was derived by the PRC subsidiaries and associates from January 1, 2008.

Two subsidiaries of the Company, which were incorporated in Hong Kong, received protective/additional profits tax assessments from the Inland Revenue Department (the "IRD") of approximately HK$6.4 million and HK$29.2 million, respectively, relating to the years of assessment 1998/99 to 2009/10, that is, for the financial years ended March 31, 1999 to 2010. The protective/additional profits tax assessments related mainly to the subsidiaries' income derived from their manufacturing operations in the PRC. The subsidiaries lodged objections with the IRD and the IRD agreed to holdover the tax claimed subject to tax reserve certificates in the amount of HK$5.8 million and HK$27.0 million being purchased by the subsidiaries, respectively and the remaining of HK$2.8 million represents the overpayment of provisional tax to the IRD from prior years.

12. INCOME TAX EXPENSE *(Continued)*

In the opinion of the directors and the advice from the Group's tax advisors, substantial manufacturing operations of these subsidiaries were undertaken in the PRC. However, such view did not gain the IRD's acceptance. After considering the recent court cases on similar subject matter and the advice from the Group's legal advisor, the directors considered that any protracted argument in this area may not be of the best interest from the commercial perspective to the Group. In order to avoid any further protracted debate and to save the costs in pursuing further, the Group had proposed, on a without prejudice basis, settlement of the matters for these two subsidiaries. The settlement proposals were submitted to the IRD in October 2011 and November 2011 respectively and were then accepted and agreed by the IRD.

Upon settlement of the aforesaid objections, for one subsidiary, an amount of HK$552,000, representing the tax reserve certificates previously purchased and after deducting the compromised settlement, was refunded in November 2011. As for the other subsidiary, an amount of HK$219,000, representing the additional tax charged after deducting the tax reserve certificates and tax previously purchased/charged, was paid in February 2012.

The income tax expense can be reconciled to the (loss) profit before tax per the consolidated income statement as follows:

	2012	2011
	HK$'000	*HK$'000*
(Loss) profit before tax	**(15,971)**	32,913
Tax at the Hong Kong Profits Tax rate of 16.5%	**(2,636)**	5,431
Tax effect of expenses not deductible for tax purpose	**2,204**	2,167
Tax effect of income not taxable for tax purpose	**(1,595)**	(1,095)
Tax effect of share of results of associates	**(55)**	(155)
Under(over)provision in prior years	**76**	(2,763)
Tax effect of tax losses not recognised	**8,310**	3,274
Utilisation of tax losses previously not recognised	**(430)**	(1,638)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**72**	370
Income tax expense	**5,946**	5,591

Details of deferred taxation for the year are set out in note 21.

13. DIVIDENDS

	2012 HK$'000	2011 HK$'000
Dividends recognised as distribution during the year:		
2012 special of HK2 cents (2011: 2011 interim of HK4.25 cents) per share	**7,035**	14,948
2011 final of HK4.25 cents (2011: 2010 final of HK2.5 cents and special of HK5 cents) per share	**14,948**	26,380
	21,983	41,328

A special dividend of HK2 cents per share (2011: final dividend of HK4.25 cents per share) for the year ended March 31, 2012, amounting to HK$7.0 million (2011: HK$14.9 million), has been proposed by the Board of Directors (the "Board") and is subject to approval by the shareholders in general meeting.

14. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to the owners of the Company is based on the following data:

	2012 HK$'000	2011 HK$'000
(Loss) profit for the year attributable to owners of the Company	**(18,630)**	30,119

	2012	2011
Number of ordinary shares in issue during the year for the purposes of basic (loss) earnings per share	**351,731,298**	351,731,298

The computation of the diluted loss per share for the year ended March 31, 2012 has not assumed the exercise of share options which would reduce the loss per share.

The computation of diluted earnings per share for the year ended March 31, 2011 does not assume the exercise of the Group's outstanding share options as the exercise prices of those options are higher than the average market price.

15. INVESTMENT PROPERTIES

	THE GROUP HK$'000
FAIR VALUE	
At April 1, 2010	50,908
Increase in fair value recognised in profit or loss	25,831
At March 31, 2011	76,739
Increase in fair value recognised in profit or loss	20,677
At March 31, 2012	**97,416**

The fair values of the Group's investment properties at March 31, 2012 and 2011 have been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. The valuation was arrived at by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the property or where appropriate by the direct comparison approach assuming sale of the property in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The carrying value of the Group's investment properties shown above comprises:

	2012 ***HK$'000***	2011 *HK$'000*
Properties in Hong Kong held under medium-term leases	**92,726**	72,349
Properties in the PRC held under medium-term land use rights	**4,690**	4,390
	97,416	76,739

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Leasehold land	Buildings	Leasehold improvements	Plant and machinery, furniture, fixtures and equipment	Motor vehicles and yacht	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP							
COST							
At April 1, 2010	4,346	17,278	101,966	57,498	227,066	6,618	414,772
Exchange adjustments	279	–	1,914	1,189	5,054	142	8,578
Additions	–	–	40	6,365	4,508	831	11,744
Disposals	–	–	–	(2,421)	(14,156)	(747)	(17,324)
At March 31, 2011	4,625	17,278	103,920	62,631	222,472	6,844	417,770
Exchange adjustments	(78)	–	650	1,140	3,312	123	5,147
Additions	–	–	–	8,334	4,038	3,598	15,970
Disposals	–	–	–	(7,514)	(3,746)	(1,119)	(12,379)
At March 31, 2012	**4,547**	**17,278**	**104,570**	**64,591**	**226,076**	**9,446**	**426,508**
DEPRECIATION							
At April 1, 2010	–	6,150	50,691	45,871	196,772	4,863	304,347
Exchange adjustments	–	–	590	851	3,981	99	5,521
Provided for the year	–	289	4,026	7,341	8,408	646	20,710
Eliminated on disposals	–	–	–	(2,421)	(13,283)	(702)	(16,406)
At March 31, 2011	–	6,439	55,307	51,642	195,878	4,906	314,172
Exchange adjustments	–	–	100	844	2,411	87	3,442
Provided for the year	–	289	3,679	8,286	7,556	765	20,575
Eliminated on disposals	–	–	–	(7,453)	(3,369)	(936)	(11,758)
At March 31, 2012	**–**	**6,728**	**59,086**	**53,319**	**202,476**	**4,822**	**326,431**
CARRYING VALUES							
At March 31, 2012	**4,547**	**10,550**	**45,484**	**11,272**	**23,600**	**4,624**	**100,077**
At March 31, 2011	4,625	10,839	48,613	10,989	26,594	1,938	103,598

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The carrying value of the Group's land and buildings as at the end of the reporting period comprises:

	2012 HK$'000	2011 HK$'000
Leasehold land and building in Hong Kong held under medium-term leases	11,948	12,450
Buildings in the PRC held under medium-term land use rights	36,107	38,270
Freehold land and buildings in Thailand	12,526	13,357
	60,581	64,077

The carrying value of the Group's furniture and fixtures and motor vehicles includes amounts of HK$25,000 and HK$289,000 (2011: HK$43,000 and HK$357,000) in respect of assets held under finance leases, respectively. The Group has pledged leasehold land and buildings having a carrying value of HK$10,898,000 (2011: HK$11,308,000) to secure general banking facilities granted to the Group.

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Leasehold improvements	Plant and machinery, furniture, fixtures and equipment	Motor vehicles and yacht	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
THE COMPANY				
COST				
At April 1, 2010	4,813	6,089	456	11,358
Additions	–	65	–	65
At March 31, 2011	4,813	6,154	456	11,423
Additions	31	210	2,850	3,091
Disposals	–	(1)	–	(1)
At March 31, 2012	**4,844**	**6,363**	**3,306**	**14,513**
DEPRECIATION				
At April 1, 2010	4,500	5,672	304	10,476
Provided for the year	195	189	91	475
At March 31, 2011	4,695	5,861	395	10,951
Provided for the year	108	164	204	476
Eliminated on disposals	–	(1)	–	(1)
At March 31, 2012	**4,803**	**6,024**	**599**	**11,426**
CARRYING VALUES				
At March 31, 2012	**41**	**339**	**2,707**	**3,087**
At March 31, 2011	118	293	61	472

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis, after taking into account of their estimated residual values, at the following rates per annum:

Freehold land	Nil
Leasehold land	Over the term of the lease
Buildings	4%
Leasehold improvements	Over the shorter of the term of the lease, or five years
Plant and machinery, furniture, fixtures and equipment	12.5% – 20%
Motor vehicles and yacht	12.5% – 20%

17. PREPAID LEASE PAYMENTS

	2012	2011
	HK$'000	*HK$'000*
THE GROUP		
The Group's prepaid lease payments comprise leasehold land:		
– in the PRC held under medium-term land use rights	**11,680**	12,064
Analysed for reporting purposes as:		
Non-current assets	**11,296**	11,680
Current assets	**384**	384
	11,680	12,064

18. INTANGIBLE ASSETS

	Trademark *HK$'000*
THE GROUP	
COST	
At April 1, 2010, March 31, 2011 and **March 31, 2012**	774
AMORTISATION	
At April 1, 2010	595
Provided for the year	73
At March 31, 2011	668
Provided for the year	73
At March 31, 2012	**741**
CARRYING VALUES	
At March 31, 2012	**33**
At March 31, 2011	106

The trademark has a finite useful life and is amortised on a straight-line basis over ten years.

19. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2012 ***HK$'000***	2011 *HK$'000*
Unlisted shares/investments, at cost	**113,196**	121,140

19. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries at March 31, 2012 and 2011 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Paid up issued share capital/ common stock/ registered capital	Class of shares held	Proportion ownership interest held by the Company		Principal activities
				Directly	Indirectly	
		(HK$ unless otherwise indicated)		%	%	
Do Do Fashion Limited	Hong Kong (a)	720,000	Ordinary	100	–	Garment manufacture
Dorcash Industrial Limited	Hong Kong (a)	20	Ordinary	100	–	Property holding
Golden Will Fashions Limited	Hong Kong (a)	10,000	Ordinary	–	60	Garment trading
Sing Yang (Overseas) Limited	Hong Kong (a)	100,000	Ordinary	100	–	Garment manufacture
Sing Yang Trading Limited	Hong Kong (a)	100,000	Ordinary	100	–	Garment trading
THL Inc.	USA (a)	US$10,000	Ordinary	–	100	Garment trading
Tung Thai Fashions Limited	Thailand (a)	Baht 100,000,000	Ordinary	100	–	Garment manufacture
Tungtex Trading Company Limited	Hong Kong (a)	6,000,000	Ordinary	100	–	Garment manufacture
Tungtex (U.K.) Limited	United Kingdom (a)	£10,000	Ordinary	100	–	Liaison office in garments
Tungtex (U.S.A.) Inc.	USA (a)	US$838,802	Ordinary	100	–	Investment holding
West Pacific Enterprises Corporation	USA (a)	US$90,000	Ordinary	–	100	Garment design and trading
Yellow River, Inc.	USA (a)	US$80,000	Ordinary	–	51	Garment design and trading
中山同得仕絲綢服裝有限公司	PRC (b)	37,800,000	Registered capital	–	90	Garment manufacture
華裳服裝(深圳)有限公司	PRC (c)	8,000,000	Registered capital	–	100	Garment manufacture
深圳百多爾時裝有限公司	PRC (c)	RMB27,000,000	Registered capital	–	100	Garment manufacture
同得仕(杭州)時裝有限公司	PRC (c)	US$7,100,000	Registered capital	100	–	Garment manufacture
杭州金譽時裝有限公司	PRC (c)	US$1,000,000	Registered capital	–	60	Garment manufacture

Notes:

(a) These companies are private limited companies.

(b) This company is a sino-foreign equity joint venture.

(c) These companies are wholly foreign owned enterprises.

19. INVESTMENTS IN SUBSIDIARIES *(Continued)*

During the year ended March 31, 2012, Fashiontex Sdn Bhd. and 廣州百圖時裝有限公司 were deregistered. As at year ended March 31, 2011, Allied Bonanza Inc. and Golden Fountain Industrial Company Limited were deregistered. The subsidiaries deregistered in both years had been inactive.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

20. INTERESTS IN ASSOCIATES

	2012	2011
	HK$'000	*HK$'000*
THE GROUP		
Cost of investment in associates – unlisted	**8,683**	8,683
Share of post-acquisition losses and other comprehensive income	**(5,832)**	(6,264)
	2,851	2,419
THE COMPANY		
Cost of investment in associate, at cost	**1,686**	1,686

20. INTERESTS IN ASSOCIATES *(Continued)*

As at March 31, 2012 and 2011, the Group had interests in the following associates, which are registered and operate in the PRC as sino-foreign equity enterprises:

Name of entity	Class of capital held	Proportion of registered capital held by the Company				Principal activity
		Directly		Indirectly		
		2012	2011	**2012**	2011	
		%	%	**%**	%	
番禺市金源時裝有限公司	Registered capital	**–**	–	**30**	30	Garment manufacture
嵊州同泰絲服飾有限公司	Registered capital	**30**	30	**–**	–	Garment manufacture

The summarised financial information in respect of the Group's associates is set out below:

	2012	2011
	HK$'000	*HK$'000*
Total assets	**34,732**	40,192
Total liabilities	**(25,229)**	(32,129)
Net assets	**9,503**	8,063
The Group's share of net assets of associates	**2,851**	2,419
Revenue	**35,043**	46,530
Profit for the year	**1,107**	3,135
The Group's share of profit of associates for the year	**332**	940

21. DEFERRED TAXATION

THE GROUP

The following are the major deferred tax (liabilities) assets recognised and movements thereon during the current and prior years:

	Revaluation of investment properties HK$'000	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At April 1, 2010	(5,995)	(3,052)	950	11	(8,086)
Credit (charged) to profit or loss	(4,183)	183	(889)	(6)	(4,895)
At March 31, 2011	(10,178)	(2,869)	61	5	(12,981)
Charged to profit or loss	(3,362)	(608)	–	(51)	(4,021)
At March 31, 2012	**(13,540)**	**(3,477)**	**61**	**(46)**	**(17,002)**

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2012 *HK$'000*	2011 *HK$'000*
Deferred tax assets	**74**	328
Deferred tax liabilities	**(17,076)**	(13,309)
	(17,002)	(12,981)

At March 31, 2012, the Group has unused tax losses of approximately HK$291 million (2011: HK$256 million) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$0.4 million (2011: HK$0.4 million) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$290.6 million (2011: HK$255.6 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$160 million (2011: HK$154 million) that can be carried forward for five years and losses of approximately HK$76 million (2011: HK$63 million) that can be carried forward for twenty years. Unrecognised tax losses of HK$13 million (2011: Nil) expired during the year. Other unrecognised tax losses may be carried forward indefinitely.

21. DEFERRED TAXATION *(Continued)*

THE COMPANY

	Accelerated tax depreciation
	HK$'000
At April 1, 2010	148
Credit to profit or loss	30
At March 31, 2011	178
Charge to profit or loss	(289)
At March 31, 2012	**(111)**

22. INVENTORIES

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Raw materials	**43,856**	45,828
Work in progress	**62,369**	72,943
Finished goods	**74,484**	56,667
	180,709	175,438

23. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Trade and bills receivables	**168,869**	166,109
Deposits, prepayments and other receivables	**37,218**	74,649
	206,087	240,758

The Group allows a credit period ranging from 30 days to 90 days to its trade customers, with a significant portion being 30 days. Included in trade and other receivables are trade and bills receivables, mainly denominated in USD, with the following aged analysis presented based on the invoice date at the end of the reporting period:

	2012	2011
	HK$'000	*HK$'000*
Up to 30 days	**116,558**	110,129
31 – 60 days	**26,621**	30,681
61 – 90 days	**22,927**	23,640
More than 90 days	**2,763**	1,659
	168,869	166,109

Before accepting any new customer, the Group will assess the potential customer's credit quality and define its credit limits. Credit sales are made to customers with an appropriate credit history. Credit limits attributed to customers and credit terms granted to customers are reviewed regularly. Trade receivables of HK$146,781,000 (2011: HK$144,113,000) that are neither past due nor impaired have good credit quality with reference to the track records of these customers under internal assessment by the Group.

Included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of HK$22,088,000 (2011: HK$21,996,000) which are past due as at the reporting date for which the Group has not provided for impairment loss, as the Group considers such balance can be recovered based on historical experience. The Group does not hold any collateral over these balances.

23. TRADE AND OTHER RECEIVABLES *(Continued)*

As at March 31, 2011, the Group discounted certain bills receivables to financial institutions with recourse. The Group continues to recognise the full carrying amount of the receivables. The carrying amount of the bills discounted was approximately HK$7,096,000. The carrying amount of the associated liability which represented the cash received from discounted bills (see note 28) was approximately HK$7,096,000.

The following is an aged analysis of trade and bills receivables which are past due but not impaired, at the end of the reporting period:

	2012	2011
	HK$'000	*HK$'000*
31 – 60 days	**9,110**	9,927
61 – 90 days	**10,215**	10,410
More than 90 days	**2,763**	1,659
	22,088	21,996

The trade and other receivables that are denominated in currencies other than the functional currencies of the relevant group entity are set out below:

	THE GROUP		**THE COMPANY**	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HKD	**5,360**	5,292	**200**	250
RMB	**42,700**	44,293	**–**	–
EUR	**2,068**	3,131	**–**	–
	50,128	52,716	**200**	250

24. BANK BALANCES AND CASH

Bank balances and cash of the Group and of the Company comprises bank balances and cash held by the Group and the Company and short-term bank deposits with an original maturity of three months or less. The bank deposits carry market interest rates ranging from 0.001% to 1.49% (2011: 0.001% to 1.71%) per annum.

The bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HKD	**16,280**	27,927	**2,093**	4,184
RMB	**38,970**	24,357	**25**	–
EUR	**943**	19	**–**	–
	56,193	52,303	**2,118**	4,184

25. TRADE AND OTHER PAYABLES

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Trade and bills payables	**144,466**	133,499
Other payables and accrued charges	**84,273**	80,329
	228,739	213,828

25. TRADE AND OTHER PAYABLES *(Continued)*

The aged analysis of the Group's trade and bills payables presented based on the invoice date at the end of the reporting period are as follows:

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Up to 30 days	**88,928**	81,822
31 – 60 days	**33,406**	36,448
61 – 90 days	**16,803**	13,446
More than 90 days	**5,329**	1,783
	144,466	133,499

The average credit period on purchases of goods ranges from 30 to 60 days. The Group has financial risk management policies in place to ensure that most of the payables are settled within the credit timeframe.

The trade and other payables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HKD	**63,680**	51,154	**831**	841
RMB	**35,180**	33,609	**–**	–
	98,860	84,763	**831**	841

26. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under finance leases:				
Within one year	**94**	159	**76**	130
More than one year but not exceeding two years	**55**	39	**45**	31
More than two years but not exceeding three years	**18**	–	**15**	–
	167	198		
Less: Future finance charges	**(31)**	(37)		
Present value of lease obligations	**136**	161	**136**	161
Less: Amount due within one year shown under current liabilities			**(76)**	(130)
Amount due after one year			**60**	31

The Group leases certain of its furniture and fixtures and motor vehicles under finance leases. The average lease term is three years. For the year ended March 31, 2012, the average effective borrowing rate was 14.60% (2011: 9.58%) per annum. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

27. DERIVATIVE FINANCIAL INSTRUMENTS

At the end of the reporting period, major terms of outstanding foreign currency forward contracts of the Group were as follows:

2012

Notional amount	**Maturity date**	**Currency conversion**
6 contracts to sell HKD14,400,000 in total	October 22,2012 to March 15, 2013	HKD1:RMB0.8162 to 0.8264
9 contracts to sell EUR623,000 in total	April 23, 2012 to Oct 18, 2012	EUR1:USD1.2701 to 1.4180
4 contracts to sell HKD15,500,000 in total	April 10, 2012 to July 10, 2012	HKD1:RMB0.8142 to 0.8280
6 contracts to sell HKD14,400,000 in total	March 23, 2012 to September 24, 2012	HKD1:RMB0.8092 to 0.8183

2011

Notional amount	Maturity date	Currency conversion
1 contract to buy EUR29,000	May 09, 2011	EUR1: USD1.3985
1 contract to buy EUR12,000	May 30, 2011	EUR1: HKD10.7420
1 contract to sell EUR14,000	November 18, 2011	EUR1: HKD9.6310
8 contracts to sell EUR947,000 in total	June 01, 2011 to December 22, 2011	EUR1: USD1.2830 to 1.3920
22 contracts to sell HK$71,000,000 in total	April 07, 2011 to March 13, 2012	HKD1: RMB0.8310 to 0.8437

As at March 31, 2012, a fair value gain of HK$56,000 (2011: loss of HK$756,000) was recognised in profit or loss. The above foreign currency forward contracts were measured at fair value at end of the reporting period, determined based on the prices quoted from the counterparty financial institutions with reference to forward rates with appropriate yield curve of foreign currencies as at March 31, 2012.

28. BANK BORROWINGS

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Floating-rate borrowings:		
Bank loans	**30,696**	27,308
Discounted bills with recourse	**–**	7,096
Trust receipts loans	**13,596**	8,169
	44,292	42,573

All the bank borrowings of the Group are secured. All the bank borrowings at the end of the reporting period are with a repayable on demand clause and repayable within one year and are included under current liabilities.

The effective interest rate (which is also equal to contracted interest rate) on the Group's borrowings ranged from 1.24% to 8.42% (2011: 1.26% to 6.44%) per annum.

The bank borrowings that are denominated in currencies other than the functional currencies of the relevant group entity are set out below:

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
RMB	**30,696**	27,308
EUR	**–**	155
	30,696	27,463

29. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.20 each		
At April 1, 2010, March 31, 2011 and March 31, 2012	500,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.20 each		
At April 1, 2010, March 31, 2011 and March 31, 2012	351,731,298	70,346

30. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on September 5, 2006 for the primary purpose of attracting and retaining suitable and high-calibre personnel, incentivising them to contribute to the future development and growth of the Group and any invested entity by sharing in the equity interests of the Company. The Scheme will expire on September 4, 2016. Under the Scheme, the Board of the Company may grant options to full time employees, including executive directors of the Company, its subsidiaries or any invested entity ("Participants"), to subscribe for shares in the Company.

At March 31, 2012, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 12,600,000 (2011: 12,800,000), representing 3.58% (2011: 3.64%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 5% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The total number of shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue at any point in time, without prior approval from the Company's shareholders.

The Scheme shall be valid and effective for a period of ten years. The Scheme does not contain any minimum period(s) for which an option must be held before it can be exercised. However, at the time of grant of the options, the Board of Directors may specify any vesting period.

30. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Options granted must be taken up within twenty-eight days of the date of grant upon payment of HK$1 per grant. The exercise price in respect of any particular option shall be such price as determined by the Board at its absolute discretion at the time of the making of the offer but in any case the exercise price shall not be lower than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share.

The following table discloses the movement of the options under the Scheme held by the directors and employees of the Company or the Group and movements in such holdings during the year:

					Number of share options				
Category	**Date of grant**	**Vesting period**	**Exercisable period**	**Exercise price per share**	**At April 1, 2010**	**Lapsed during the year**	**At March 31, 2011**	**Lapsed during the year**	**At March 31, 2012**
				HK$					
Directors	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	6,000,000	–	6,000,000	–	6,000,000
Employees	November 9, 2006	3 years	November 9, 2009 – November 8, 2014	1.80	7,100,000	(300,000)	6,800,000	(200,000)	6,600,000
					13,100,000	(300,000)	12,800,000	(200,000)	12,600,000
Exercisable at end of the year					13,100,000		12,800,000		12,600,000
Weighted average exercise price					HK$1.80	HK$1.80	HK$1.80	HK$1.80	HK$1.80

No options are granted or exercised for the year ended March 31, 2012 and 2011.

The options granted to the above directors and employees were because of their services to the Group.

31. RESERVES

	Share premium	Capital redemption reserve	Share option reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE COMPANY					
At April 1, 2010	84,880	3,930	682	303,951	393,443
Profit and total comprehensive income for the year	–	–	–	79,978	79,978
Dividends recognised as distribution *(note 13)*	–	–	–	(41,328)	(41,328)
At March 31, 2011	84,880	3,930	682	342,601	432,093
Profit and total comprehensive income for the year	–	–	–	9,782	9,782
Dividends recognised as distribution *(note 13)*	–	–	–	(21,983)	(21,983)
At March 31, 2012	**84,880**	**3,930**	**682**	**330,400**	**419,892**

32. MAJOR NON-CASH TRANSACTION

During the year ended March 31, 2012, amounted to HK$32,722,000 (2011: Nil) tax reserve certificate recorded in other receivables were transferred to settle the additional tax assessment from IRD. In addition, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease contracts of HK$135,000 (2011: Nil).

33. OPERATING LEASES

The Group as lessee

During the year, the Group made minimum lease payments under operating leases of HK$21,174,000 (2011: HK$24,360,000) in respect of rented premises.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Within one year	**12,690**	19,491
In second to fifth year inclusive	**9,117**	18,929
	21,807	38,420

Operating lease payments represent rentals payable by the Group for certain of its office premises, factories and retail shops. Leases are negotiated for terms ranging from one to five years and rentals are fixed.

The Group as lessor

Property rental income (before outgoings) earned during the year was HK$3,351,000 (2011: HK$2,229,000). The properties held have committed tenants for an average term of two years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Within one year	**2,793**	2,145
In second to fifth year inclusive	**1,632**	1,169
	4,425	3,314

34. CONTINGENT LIABILITIES

At March 31, 2012, the Company has issued guarantees to banks to secure general banking facilities granted to certain subsidiaries to the extent of approximately HK$324 million (2011: HK$268 million) and has also issued unlimited guarantees to banks to secure banking facilities granted to the subsidiaries. The extent of the above facilities utilised by the subsidiaries at March 31, 2012 amounted to HK$44 million (2011: HK$43 million). In the opinion of the directors of the Company, the amount of financial guarantee contracts involved is insignificant at initial recognition and end of the reporting periods.

35. PLEDGE OF ASSETS

At the end of the reporting period, the following assets of the Group have been pledged to banks to secure general banking facilities granted to the Group:

	2012	2011
	HK$'000	*HK$'000*
Investment properties	**66,137**	51,603
Leasehold land	**8,877**	9,149
Buildings	**2,021**	2,159

36. RETIREMENT BENEFIT SCHEMES

The Group operates the MPF Scheme for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes the lower of 5% of the relevant payroll costs or HK$1,000, for each of the employees every month, to the MPF Scheme, which contribution is matched by employees.

The employees in the Company's subsidiaries in the PRC are members of the state-managed retirement benefit scheme operated by the government in the PRC. The subsidiaries in the PRC are required to contribute a certain percentage of their payroll to the retirement benefit scheme to fund the benefit. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

In addition, certain subsidiaries of the Company are required to contribute amounts based on employees' salaries to the retirement benefit scheme as stipulated by relevant local authorities. The employees are entitled to the Group's contributions subject to the regulations of the relevant local authorities.

The total cost charged to profit or loss of HK$11,220,000 (2011: HK$9,841,000) represents contributions paid and payable to these schemes by the Group for the year ended March 31, 2012.

37. CONNECTED AND RELATED PARTIES DISCLOSURES

(a) During the year, details of transactions with connected persons, as defined in Rule 14A.11 of the Listing Rules, and related parties are set out as follows:

(i) Connected transactions

	2012	2011
	HK$'000	*HK$'000*
Fabric print and artwork service expenses paid to Fine Print Studio Inc. ("Fine Print")	**1,158**	666

Fine Print is wholly owned by Mr. Peter Kan Mui (deceased in 2009), a non-controlling shareholder that has significant influence over a subsidiary of the Company, and his associates (as defined in the Listing Rules).

(ii) Related party transactions

	2012	2011
	HK$'000	*HK$'000*
Purchases from the Group's associate	**35,658**	51,724

37. CONNECTED AND RELATED PARTIES DISCLOSURES *(Continued)*

(b) The Group and the Company had the following balances with related parties at the end of the reporting period:

The Group

At March 31, 2012, amount due from an associate of HK$3,030,000 (2011: HK$2,942,000) for the prepayments to the associate under trading nature, which is unsecured, interest-free and repayable on demand. None of the amount due from an associate is past due or impaired and this amount is considered to be of good quality under the internal assessment by the Group.

The amount due from an associate is denominated in HKD, a foreign currency of a subsidiary of the Company with USD as functional currency.

At March 31, 2012, the amount due to a non-controlling shareholder of a subsidiary of HK$900,000 (2011: HK$1,300,000) is unsecured, bearing interest at Hong Kong Interbank Offered Rate plus 1.5% (2011: 1%) per annum, repayable within one year and denominated in HKD, a foreign currency of the subsidiary of the Company with USD as functional currency.

The Company

(i) At March 31, 2012, the amounts due from subsidiaries amounted to HK$383,776,000 (2011: HK$407,413,000). The amounts due from subsidiaries are unsecured and repayable on demand. Included in the amount is a balance of HK$86,433,000 (2011: HK$80,589,000) which bears interest at Hong Kong Prime Rate and the remaining balances are interest-free. Before making any advances, the Company will review the potential subsidiary's credit quality and defines its credit limit. Amount due from subsidiaries are advanced to subsidiaries with appropriate credit history. Credit limit attributed to subsidiaries are reviewed regularly.

At the end of the reporting period, the Company reviews the carrying amounts of the amounts due from subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount due from a subsidiary is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount.

At March 31, 2012 and 2011, all the Company's amounts due from subsidiaries are neither past due nor impaired at the end of the reporting period. The amounts due from subsidiaries have good credit quality with reference to the track records of these subsidiaries under internal assessment by the Company and a significant amount of balances were recovered subsequent to the end of the reporting period. In addition, the Company does not hold any collateral over these balances.

(ii) At March 31, 2012, amounts due to subsidiaries of HK$14,089,000 (2011: HK$30,179,000) are unsecured, interest-free and repayable on demand.

The amounts due from/to subsidiaries are denominated in HKD, foreign currency of the Company.

37. CONNECTED AND RELATED PARTIES DISCLOSURES *(Continued)*

(c) At March 31, 2012, the Company issued unlimited financial guarantees to banks in respect of banking facilities granted to eight (2011: eight) subsidiaries. Not all subsidiaries have utilised the unlimited guarantees at the end of the reporting period.

(d) Compensation of key management personnel

The remuneration of key management personnel, including amounts paid to the Company's directors as disclosed in note 10 and certain highest paid employees as disclosed in note 11, during the year was as follows:

	2012	2011
	HK$'000	*HK$'000*
Short-term benefits	**16,509**	17,413
Post-employment benefits *(note)*	**196**	188
	16,705	17,601

Note: The amount represents contributions to retirement benefit schemes and has been included in the amount disclosed in notes 9 and 36.

The emoluments are determined, among other things, by reference to their duties and responsibilities, their experience for the industry, prevailing market conditions and the Group's performance.

FINANCIAL SUMMARY

RESULTS

	For the year ended March 31,				
	2008 *HK$'000*	2009 *HK$'000*	2010 *HK$'000*	2011 *HK$'000*	**2012** ***HK$'000***
Revenue	2,252,055	2,012,529	1,576,936	1,732,113	**1,600,592**
(Loss) profit before tax	133,038	65,743	22,861	32,913	**(15,971)**
(Loss) profit for the year attributable to owners of the Company	81,233	42,232	21,959	30,119	**(18,630)**
	HK cents	*HK cents*	*HK cents*	*HK cents*	***HK cents***
(Loss) earnings per share					
– Basic	23.1	12.0	6.2	8.6	**(5.3)**
– Diluted	22.9	N/A	N/A	N/A	**N/A**

ASSETS AND LIABILITIES

	As at March 31,				
	2008 *HK$'000*	2009 *HK$'000*	2010 *HK$'000*	2011 *HK$'000*	**2012** ***HK$'000***
Total assets	1,069,366	892,319	858,014	843,532	**785,010**
Total liabilities	(475,940)	(305,811)	(304,574)	(304,141)	**(291,959)**
	593,426	586,508	553,440	539,391	**493,051**
Equity attributable to owners of the Company	531,048	528,599	505,885	494,643	**454,810**
Non-controlling interests	62,378	57,909	47,555	44,748	**38,241**
	593,426	586,508	553,440	539,391	**493,051**

TUNGTEX (HOLDINGS) COMPANY LIMITED

Registered Office

12/F, Tungtex Building, 203 Wai Yip Street,
Kwun Tong, Kowloon, Hong Kong
Tel: 2797 7000
Fax: 2343 9668

Tungtex (Holdings) Company Limited takes every practicable measure to conserve resources and minimize waste.

This annual report is printed on FSC™ certified paper using chemistry free plate system and soy ink.

The FSC™ logo identifies product group from well-managed forests and other controlled sources in accordance with the rules of the Forest Stewardship Council™.

MIX
Paper from responsible sources
FSC™ C021898
www.fsc.org